Foreign Exchange Risk Management

Manage Your Foreign Currency Exposure

Identifying and managing market risk and currency exchange risk is essential when conducting business in other countries. Whether a business has foreign currency needs on an ongoing or ad hoc basis, PNC can help manage the impact of exchange rate fluctuations on future cash flows and profitability.

PNC Delivers

PNC's dedicated team of senior foreign exchange consultants can customize a solution based on a thorough understanding of your business, assist you in analyzing your company's FX exposures and help develop a hedging policy. Our solutions can help you to manage foreign exchange risk more effectively, reduce FX exposures, and potentially increase profits and reduce expenses.

Primary Foreign Exchange Hedging Tools

Spot contract: This strategy involves the exchange of one currency for another for settlement in two business days (value date), except in Canada, which is one business day.

Used by companies doing business internationally that make payments or receive funds in a foreign currency

Forward contract: This is a contractual obligation to buy or sell a fixed amount of foreign currency on a future maturity date at a predetermined exchange rate.

Allows companies to mitigate the risk of exchange rate fluctuations on predictable future cash flows in foreign currency

Window forward: Similar to a traditional forward, a window forward allows you to select a time frame (up to 90 days) during which the contract is settled.

This strategy allows for flexibility in conversion timing while still maintaining a set conversion rate.

Layered hedge: This strategy, also referred to as "dollar-cost averaging," creates a blended exchange rate instead of locking in entire FX exposures at one point in time.

Moderates the impact of currency moves and allows companies additional time to adjust to new market conditions

Non-deliverable forward: This strategy allows a company to hedge foreign currency risk where no traditional forward market exists. It is a synthetic hedge that is net settled in U.S. dollars. No delivery of foreign currency will occur under this contract. The net U.S. dollar difference offsets the change in market pricing of the currency hedged.

Examples include China, India and Brazil. This type of hedge is often used as an overlay on a U.S. dollar–based cash flow to protect margins.

Foreign currency swap: A swap involves buying a foreign currency for one value date and simultaneously selling the same foreign currency for a different value date (or vice versa selling then buying).

Commonly used by companies that need to adjust the timing on a hedge. A swap can also be used to hedge AR/AP exposures and intercompany loans with predictable pay-back schedules.

Option structures: A call option represents the right, but not the obligation, to purchase a given amount of currency at a specified price on a specified date in the future. A put option provides the right, but not the obligation, to sell a given amount of currency at a specified price on a specified date in the future. Call and put options can be combined and structured to offer exchange rate flexibility.

Creates the ability to participate in favorable market movements while providing definitive downside protection. Whether it's working with a budget, potential acquisition or sale, or other need for optionality, PNC can customize an option structure for each unique situation.

PNC's Foreign Exchange Sales and Trading Desks

Atlanta: 1-855-852-4700
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