



Foreign Exchange Procedures

1. LEGISLATION/ENTERPRISE AGREEMENT/POLICY SUPPORTED

[Generating and Receiving Income Policy](#)

[Purchasing and Payment Policy](#)

2. IMPLEMENTATION PRINCIPLES

- 2.1. The University seeks to manage its exposure to foreign exchange risk to ensure responsible financial management. Consequently, where it is commercially practicable to do so, the University will conduct its contracts and business in Australian Dollars.
- 2.2. Nevertheless, the University may be exposed to foreign exchange risk from some of its operations (such as Library acquisitions and subscriptions, and equipment manufactured overseas). Within the context of the University as a whole the amounts involved are not significant; however, the foreign exchange risk of material foreign currency transactions can have a pronounced impact on the area affected. Financial Services will seek to reduce foreign exchange risk by working with areas in order to effectively hedge, where possible, material foreign currency cash flows.
- 2.3. The University, through Financial Services, will hedge its material foreign currency transactions by way of a permitted instrument with an appropriate counterparty. Material foreign currency transactions should also be at least Highly Probable in order to be hedged, while those that are not Material will generally be undertaken at the spot rate. When a permitted instrument is used to hedge a foreign exchange risk, the University will adopt the hedge accounting provisions of Australian Accounting Standard AASB 139 "Financial Instruments: Recognition and Measurement".
- 2.4. The University does not undertake speculative positions on movements in foreign currency exchange rates. Thus, a permitted instrument must only be executed in order to hedge the foreign exchange risk of an underlying foreign currency transaction.

3. PROCEDURAL DETAILS

3.1. The approach to foreign exchange risk

The following approach will be adopted:

- Identify the risk
- Quantify the transaction/s
- Report the transaction/s, if material, to Financial Services
- Liaise with Financial Services to manage the risk exposure

Financial Services (through the Senior Accountant in your Finance Service Team) can be contacted at any stage of the above process in order to provide assistance.

3.2. Identification

Where an area considers that it may face a material foreign exchange risk, it should seek to identify the risk. For example, there may be a need to purchase equipment where the supplier requires that payment must be made in a foreign currency. Another example would be where the University agrees to perform research or training for an overseas funding body and the funds must be received in a foreign currency.

A foreign exchange risk may present itself in the form of a contracted or a highly probable foreign currency cash flow. When the area becomes aware of the existence of either, it should trigger the procedures below.

3.3. Quantification

The Area should quantify the foreign currency transaction/s in the equivalent of Australian Dollars (AUD) using the spot rate in order to establish if it is material. Where it would take only a small movement in the spot rate to make a transaction material then it should be treated as such as a matter of prudence. The Senior Accountant in your Finance Service Team can assist in this step.

Where the transaction is material it should be reported to the Senior Accountant in your Finance Service Team. The information reported should include:

- The nature of the transaction/s
- The amount and foreign currency
- The exact or best estimate of timing
- Whether it is contracted or Highly Probable
- The counterparty to the foreign currency transaction/s

3.4. Managing the exposure

3.4.1. Permitted instruments

Permitted instruments are spot trades, forward rate contracts or foreign currency option contracts. Borrowing in or holding a foreign currency is also permitted. Other instruments may be approved by Finance Committee.

The Director Financial Reporting will recommend a method of managing the exposure to the Chief Financial Officer and the Area and act upon the decision that is reached. The final decision will rest with the Chief Financial Officer.

3.4.2. Time horizon

Hedges should normally not extend beyond a twelve-month time horizon from the current date as the uncertainty of future cash flows usually increases with time.

3.4.3. Appropriate counterparties and limits

3.4.3.1 Permitted instruments will be executed with an appropriate counterparty being a financial institution that has a current credit rating of a least Investment Grade A using Standard and Poor's long-term ratings (or the equivalent of another rating agency).

3.4.3.2 In order to mitigate the risk of default, the University will not have more than the equivalent of AUD5 million of permitted instruments with any one counterparty without express approval from Finance Committee.

3.4.3.3 Additionally the University will not have more than the equivalent of AUD10 million of permitted instruments at any one time unless approved by the Finance Committee.

3.4.4. Employees permitted to execute external hedges

All employees who are authorised signatories to the University's operating bank account are permitted to execute a permitted instrument on behalf of the University if that instrument has been approved by the Chief Financial Officer.

3.4.5. Competitive quoting for external hedges

When a hedge is to be entered into, the employee permitted to execute the hedge will seek a quote from at least two different appropriate counterparties. The most competitive quote should be selected, subject to available credit limits.

3.5. Reporting

Details of foreign currency instruments will be reported quarterly by Financial Services to Finance Committee.

4. RESPONSIBILITIES

Responsibilities are as set out in section 3.

5. SCOPE OF PROCEDURES

These procedures apply to all members of the University community including staff, University Associates, Curtin controlled entities, and all persons participating in University business or activities, whether as a visitor, adjunct appointee, service provider, contractor or volunteer.

6. DEFINITIONS

(Note: Commonly defined terms are located in the [Curtin Common Definitions](#). Any defined terms below are specific to this document)

Hedge

A method of limiting the risk posed by adverse movements in foreign exchange rates.

Highly Probable

A forecast foreign currency transaction that is justifiably anticipated to occur. The justification may be based on historic trends such as payment or receipts patterns of previous periods or may be based on other reliable information about future events.

Material

An individual transaction in excess of an equivalent Australian Dollar amount of at least AUD 200,000, or, a series of similar transactions with an equivalent Australian Dollar value of at least AUD 250,000. An example of a series of transactions is the subscriptions expenditure of the Library.

Spot rate

The current rate of exchange between two currencies.

Spot trade

An agreement (obligation) to buy or sell an agreed amount of foreign currency at the spot rate.

7. SCHEDULES

Nil

8. RELATED DOCUMENTS/LINKS/FORMS

Nil

Policy Compliance Officer	Shirene Varendorff , Director, Financial Reporting Financial Services
Policy Manager	Chief Financial Officer
Approval Authority	Chief Financial Officer
Review Date	1 st April 2019

REVISION HISTORY

Version	Approved/ Amended/ Rescinded	Date	Committee / Board / Executive Manager	Approval / Resolution Number	Key Changes and Notes
New	Approved	24/02/2016	Chief Financial Officer	EM1605	Conditional upon Council rescission of the Foreign Exchange Policy and Procedures. Council rescinded the Policy and Procedures on 17/02/2016, C 17/16