



Five top international payment tips for SMEs

Hamish Anderson, CEO of Money Mover, looks at how you can get the best out of currency exchanges when trading across borders

“The cheapest way of converting currencies is not to convert currencies at all”

In today's globalised, connected economy, many UK SMEs are already players in the international marketplace. For a company expanding overseas, a crucial consideration is its currency exchange policy, and how it makes and receives international payments. Here are my five tips for maximising your success when doing so:

1 DON'T ASSUME YOUR BANK IS THE ONLY PROVIDER OF FX SERVICES

Your bank's online platform is convenient, but it's not transparent, and it's unlikely to be the cheapest option. You may only see the transfer rate you're going to get once you commit to the payment or transfer, and it's not unusual to have to put up with spreads and charges, which may represent up to 3% or more of the payment amount. A small investment of time in registering for a specialist global payments service will be quickly repaid through cost savings and improvements in your process.

2 OPEN MULTIPLE FOREIGN CURRENCY ACCOUNTS

If you frequently receive, or make, payments in foreign currencies, it's worth setting up currency accounts

with your bank in the currencies that you use. Why? Firstly, you take control over how and when you make your currency exchanges. Secondly, as the cheapest way of converting currencies is not to convert currencies, you can hold balances in any currencies that you might need to pay out in the future.

3 RESIST THE TEMPTATION TO SPECULATE

It's a bad habit to hoard currencies in the hope that exchange rates will move in your favour. It risks starving your business of cash, and the rate may never actually go your way. Convert currencies in accordance with your business requirements.

4 CONSIDER USING CURRENCY FORWARDS TO LOCK IN EXCHANGE RATES FOR KNOWN INVOICES AND RECEIVABLES

Using currency forwards to lock in – or hedge – known outgoing payments and incoming receivables increases accounting certainty and reduces exchange rate-related volatility. There's nothing worse than issuing an invoice in Euros when the rate is 1.15 to the pound, only to be

paid when the rate is 1.40 – which represents a loss of over 20%. The same goes for setting budgets based on accounting reference rates, which vary significantly from actual market rates.

5 SELECT A PAYMENTS PROVIDER THAT MAKES YOUR LIFE EASIER

Once you've made the decision to use a third party FX provider, make sure that it offers you the best tools and services. Also consider the following:

- Are the fees and rates transparent? Beware of services that entice you in with 'teaser rates'.
- Does the service allow you to track payments and print confirmations?
- Can your accountant log into it, to review and make payments on your behalf, and is access fully audited? Currency exchange and global payments should be an asset for enabling growth for your business, and not an inhibitor. Any SME should not be afraid to explore alternative FX providers to their incumbent bank, as a way of saving money and improving internal efficiencies.

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