Foreign Exchange Procedures

1. COMPLIANCE OBLIGATION SUPPORTED

Curtin University Act 1966 (WA)

Financial Management Act 2006 (WA)

2. PROCEDURAL DETAILS

2.1. 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, foreign currency denominated contracts and equipment manufactured overseas), in which case the foreign exchange risk of material foreign currency transactions can have a pronounced impact on the area affected.

2.3. The University, through Financial Services, will hedge highly probable material foreign currency transactions by way of a permitted instrument with an appropriate counterparty or through the use of foreign currency bank accounts.

2.4. Foreign currency transactions that are not material or are not highly probable will generally be undertaken at the spot rate.

2.5. When a permitted instrument is used to hedge a foreign exchange risk, the University will adopt the hedge accounting provisions of relevant Australian Accounting Standards.

2.6. The University does not undertake speculative positions on movements in foreign currency exchange rates.

2.7. The following approach to managing foreign exchange risk will be adopted:

(a) Identify the risk (section 2.8)

(b) Quantify the transaction(s) (section 2.9)

(c) Report the transaction(s), if material, to Financial Services

(d) Liaise with Financial Services to manage the risk exposure (section 2.10)

Financial Services (through the Finance Business Partner in your Financial Reporting Team) can be contacted at any stage of the above process to provide assistance.

2.8. 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 material contracted or highly probable foreign currency cash flow. When the area becomes aware of the existence of either, it should act in accordance with sections 2.9 to 2.11.

2.9. Quantification

The area should quantify the foreign currency transaction(s) in the equivalent of Australian Dollars (AUD) using the spot rate 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 Finance Business Partner in your Financial Reporting Team can assist in this step.

Where the transaction is material, it should be reported to the Finance Business Partner in your Financial Reporting 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 and the probability (whether amount, timing or likelihood of occurring)
- The counterparty to the foreign currency transaction(s)

2.10. Managing the exposure

2.10.1. Permitted instruments

Permitted instruments include: spot trades, forward rate contracts or foreign currency option contracts. 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.

2.10.2. Time horizon

Hedges will normally not extend beyond a twelve-month time horizon from the current date as the uncertainty of future cash flows usually increases with time and the availability and/or effectiveness of hedge instruments becomes limited.

2.10.3. Appropriate counterparties and limits

(a) Permitted instruments will be executed with an appropriate counterparty, being an Investment Grade financial institution.

(b) In order to mitigate the risk of default, the University will not have more than the equivalent of AUD25 million of permitted instruments with any one counterparty without express approval from Finance Committee.

(c) Additionally, the University will not have more than the equivalent of AUD50 million of permitted instruments at any one time unless approved by the Finance Committee.

2.10.4. Employees permitted to execute external hedges and spot trades

All employees who are authorised signatories to the University's main 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.

2.10.5. Competitive quoting for external hedges and spot trades

When a hedge or spot trade is to be entered into, the employee permitted to execute the hedge or spot trade will seek a quote from at least two different appropriate counterparties. Considerations will include pricing, ease of administration and hedge effectiveness.

2.11. Reporting

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

3. RESPONSIBILITIES

Responsibilities are as set out in Section 2.

4. 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.

5. 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 within a reasonably specific period. 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.

Investment Grade
Means that either Standard & Poors or Moodys has rated an investment as having "Investment Grade" credit rating, ie BBB- or above (Standard & Poors) or Baa3 or above (Moodys).

Material
An individual transaction more than an equivalent Australian Dollar amount of at least AUD500,000 or a series of similar transactions with an equivalent Australian Dollar value. 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 to buy or sell an agreed amount of foreign currency at the spot rate.

6. SCHEDULES

Nil

7. RELATED DOCUMENTS/LINKS/FORMS

Generating and Receiving Income Policy
Procurement and Purchasing Policy
Banking Management Procedures

Policy Compliance Officer	Amanda Stammers, Director, Financial Reporting
Policy Manager	Chief Financial Officer
Approval Authority	Chief Financial Officer
Review Date	1st April 2027

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
	Approved	09/04/2019	Chief Financial Officer	EM1905	Unconditional
	Approved	18/07/2023	Chief Financial Officer	EM2319	