

# FOREIGN CURRENCY EXCHANGE POLICY



EDUCATING  
THE FUTURE

Policy number:	28	Version:	1
Drafted by:	Lillian Yana	Approved by Board on:	
Responsible person:	Treasurer	Scheduled review date	03 August 2022

## INTRODUCTION

Educating The Future (**ETF**) Australia often deals with USD in relation to construction works in Timor-Leste. ETF raises funds in AUD. These policies and procedures outline general rules for the management and administration of foreign exchange and the associated risk.

## PURPOSE

The purpose of this policy is to demonstrate ETF's commitment to limit exchange rate movement exposure.

## SCOPE

This Policy applies to all foreign currency transactions to which ETF is exposed. Specifically, this includes:

- Buying or selling goods or services in foreign currency;
- Receiving donations in a foreign currency; and
- Where ETF has other income, expenses, assets or liabilities that are in, or affected by, foreign currencies.
- Where ETF funds programs or reimburses expenses in USD.

## DEFINITIONS

- Foreign Exchange Risk - The risk that the University's operations will be affected by changes in currency exchange rates.
- Foreign Currency - foreign currency is all currencies other than the Australian Dollar (AUD).
- Forward Exchange Contract (FEC) - An agreement between two parties to exchange a specified amount of one currency for another currency at a specified foreign exchange rate on a future date.
- Foreign Exchange Hedge - forward exchange contract.

- Foreign Exchange Rate - The price at which one currency can be bought with or sold for another currency.

### **TRANSFER OF FOREIGN CURRENCY**

- ETF must present two options for foreign currency exchange e.g. bank or online systems for consideration. The safest and most efficient platform should be used.
- Foreign currency reimbursements, such as the cash purchase of goods in Timor-Leste and the reimbursement of volunteers in AUD, should use the value of the USD currency at time of the initial currency exchange to hold its true value.
- Foreign currency must be recorded and receipts kept of all transactions to reflect the value of the local currency. This should have an associated AUD expense.

### **HEDGING SCHEME**

- If determined by the board, hedging will be used as a means of ensuring budget certainty only. That is, to determine, with assurance, the fixed AUD amount of foreign currency payable or receivable within a given budget period.
- The Treasurer may enter into a Forward Exchange Contract (FEC) to moderate ETF's foreign exchange exposure. Personal opinions or market speculation regarding the future direction of a particular exchange rate should not determine if a currency exposure should be hedged.
- Board Approval must be sought before any hedging/FEC contracts can be entered into.

### **POLICY AMENDMENTS**

This policy and any amendments enter into effect immediately.

This policy shall be disseminated through an appropriate directive to all internal ETF stakeholders and necessary persons.

This policy will be reviewed every two years.

### **AUTHORISATION**

<Signature of Board Secretary>

<Date of approval by the Board>