Foreign exchange hedging

This month's Spotlight examines foreign exchange (FX) and the banking and technology solutions available to help corporate treasurers manage FX risks, ranging from cashflow exposure to translation risks.

The first article is by **Didier Hirigoyen** who asks 'what are your options?' He examines the key FX risks that corporates face today from overseas investments to anticipated cashflow exposures. The article also examines the current day FX market and the cost and benefits of different types of hedging methodologies. Also covered are the obstacles facing treasurers when they are trying to manage their companies' overall FX exposures. When should a company rely solely on forwards and when are options the best bet?

Next up is a profile on Nokia. **Liz Salecka** looks at how the the mobile communications group manages the FX hedging of its 100-plus subsidiaries worldwide. The company's treasury operation consists of a single, global, virtual treasury operation staffed by distributed teams in Helsinki, Geneva, New York and Singapore. The treasury manages a range of activities for the group's subsidiaries including funding, cash management and the hedging of FX and interest rate risks.

With production facilities across the world and sales in most countries, one of Nokia's greatest exposures is to adverse currency fluctuations against the euro. A key role for the treasury function is to negate the impact that any depreciation in the value of foreign currencies against the euro can have on its financial results.

In the final article, **Tom Roche** examines the growth and development of e-FX. The electronic market has witnessed dramatic changes over the last decade, with a recent survey revealing that almost half of £1bn-plus corporates now trade online. Roche describes how eFX offers instant access to prices and the steps that need to be taken to ensure that a treasury's straight-through processing system is set up so that it works effectively.

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