Foreign Exchange Policy

Fact box

- **Policy owner:** Chief Financial Officer
- **Policy category:** Management: Finance
- **Policy status:** Approved
- **Approval body:** Council
- **Endorsement body:** Executive
- **Related policies:**
  - Code of Conduct Policy
  - Delegations Policy
  - Financial Controls Policy
  - Risk Management Policy
- **Last amended:** 26th Feb. 2025
- **Relevant HESF:**

Purpose

The purpose of this policy is to establish how AC will use appropriate risk mitigation strategies to minimise the risk of significant cost from exposure to currency movements when transacting in a foreign currency.

Scope

This policy applies to foreign currency transactions conducted on behalf of AC.
This policy should be read and understood by AC staff who undertake transactions in foreign currency.

Policy

AC is exposed to foreign currency risk when receiving payments and making purchases in foreign currency. Movements in foreign currencies can positively or negatively impact AC's finances. Where practical, AC will minimise exposure to these movements by using foreign currency bank accounts and foreign exchange hedging contracts. Hedging processes may also be used to reduce or eliminate the impact of currency movements.

Definitions

Term	Meaning
Business Unit	University College, School, Division, Cost Centre or Unit.

Delegate	Refers to a person occupying a position that has been granted or sub-delegated a delegation of authority, or a committee or body that has been granted or sub-delegated a delegation of authority.
Financial Services	The team that works in the office of the Chief Financial Officer.
Foreign Currency	Any currency other than Australian Dollar.
Foreign Currency/Exchange Risk	The risk associated with movements in currency exchange rates which may impact AC's financials results.
Foreign Currency Account	A bank account holding a foreign currency, held by AC.
Foreign Currency Movement	The change in the foreign currency amount between one point (i.e. budget or contract agreement) and the time a related transaction is finalised.
Hedge	A method of risk mitigation aimed at reducing financial loss.
Hedging Contract	A binding transaction to limit exposure in the foreign currency exchange rate.

Foreign Exchange Transaction Exposure

The primary sources of foreign exchange exposures are:

a. foreign currency income associated with research grants, student tuition fees, and philanthropic grants;

b. foreign currency expenditure associated with research grants;

c. foreign currency expenditure in relation to tuition/courses taught overseas;

d. general capital and operational expenditure denominated in foreign currency; and

e. expenditure associated with subscriptions and publications of AC.

Management of Risk

To reduce foreign exchange exposure AC will seek to have contracts agreed to in Australian dollars.

Where it is not practical to have contracts agreed to in Australian dollars, foreign currency risks will be managed through the procedure outlined below.

Key stakeholders

Tony Jose (CFO)
David Perry

Related legislation

University of Sydney https://www.sydney.edu.au/policies/default.aspx?mode=folder&uri=4603066

University of New Castle https://policies.newcastle.edu.au/browse

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Procedures

Foreign Exchange Risk Procedure

This procedure applies to purchases and contracts in foreign currencies that may expose AC to foreign exchange risk.

To the extent possible purchases and contracts will be agreed in Australian dollars.

Where there is a compelling business need to contract with suppliers or funders in a foreign currency, Financial Services will implement processes using the following hierarchy:

a. if the relevant foreign currency is used ad hoc or is of low value the purchase will be settled via a foreign currency payment in the normal course of business;

b. where an AC business unit will regularly transact in a foreign currency and a foreign currency account is established, the contract will be settled via use of, or transfer of funds to, the foreign currency account;

c. any significant excess foreign currency cash flow requirements not met by incoming payments in the required currency will be monitored by Financial Services and the currency purchased (through hedging contracts) as required on a case-by-case basis.

Foreign Currency Transactions

Where a business unit is seeking to make purchases or agree to contracts in a foreign currency of a significant value (i.e. over $35,000) the Chief Financial Officer is to be contacted to conduct a risk assessment. The Chief Financial Officer will inform the Business Unit of the risk assessment findings and the likely future commitments and/or receipts.

Where multiple arrangements are agreed with a single supplier, the total of those contracts will be considered when determining whether the purchases represent a significant value (i.e. over $35,000).

Request to Enter Hedge Arrangement

AC will consider a hedging arrangement where a purchase or contract is agreed to in a foreign currency for a value more than $35,000 (AUD).

Financial Services will review all foreign currency hedges at each period end to enable accounting adjustments required in accordance with AASB 139, Financial Instruments. Resulting unrealised gains and losses will be recognised in a corporate account. Upon settlement any realised gains and losses will be recognised in the relevant corporate accounts.

Monitoring and Review

An annual review of AC's foreign currency transactions will be performed by Financial Services to monitor significant volumes or values of transaction made in a currency other than Australian Dollars (AUD). Financial Services will use this information to determine actions required to prevent significant currency movements affecting the budgets of Business Units and where necessary implement foreign exchange contracts to minimise risks.

Reporting

Chief Financial Officer will report quarterly to the Executive, details of major foreign currency instruments (for values exceeding $35,000) in the CFO Report.
