CORNHILL
International Payments

When buying currency there are two types of contract:

SPOT CONTRACT

Objective

To buy currency now. Sometimes you will have a limited timeframe to buy currency.
This could be because you need to settle an invoice quickly but, whatever the reason, it means that you aren't able to monitor the market in order to achieve a better exchange rate.

How it works

To buy currency now you simply agree a rate using the live spot market and settle straight away. We would send you a receipt or 'contract note' giving details of our client account at Barclays. Once your funds have cleared we send your purchased currency to your specified beneficiary's bank account. There are no fees or transfer charges for transactions above £5,000 (or currency equivalent).

Benefit

It is fast (some currencies have same day delivery) and buying now eliminates any future exchange rate risk.

FORWARD CONTRACT

Objective

To fix a rate now for payment at a later date.
There are numerous scenarios where you don't have funds to buy on the spot market. A forward contract is the perfect solution: fix today's rate for a future date. You lock into the price but don't pay for it until your specified 'value date'.
You may be required to pay a 'margin' deposit of between 3-10% depending on the timeframe and volatility of the currency you are buying.

How it works

To make a series of staged payments you simply fix an exchange rate for the total amount with a 'value date' set for the final payment date. You then draw down amounts as and when you need to make payments. Each time you draw down you simply pay for each balance and we transmit your bought currency, just like a spot trade, with no transfer fees.

Benefits

- Flexibility: you can draw money down in stages as and when you need it or you can 'roll' the contract to extend your time frame (this might change the fixed rate slightly).
- Peace of mind: securing a rate fixes your costs.
- The ability to buy currency before you have all the funds to pay for it.

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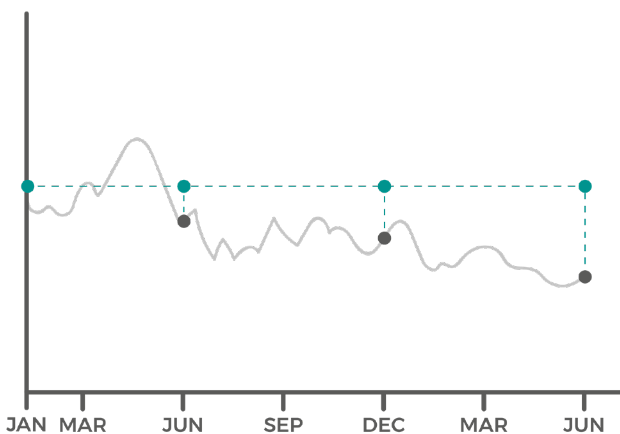
Buying abroad?

A popular use of a forward contract is when buying a new-build property overseas.

For example, a French developer building ski apartments in the Alps might require you to send a deposit, followed by 2 equal staged payments during construction, with a final payment on completion.

You would buy the deposit for spot and then book 3 separate forward contracts, each with a specific delivery date. If payment dates are vague then book one large forward contract for the full amount and draw down payments when needed.

Illustrative GBP/EUR chart showing 4 staged payments over 18 months



Payment date	Spot	£ Cost	Forward	£ Cost
January	1.21	41,322	1.21	41,322
June	1.17	42,735	1.21	41,322
December	1.13	44,248	1.21	41,322
June	1.09	45,872	1.21	41,322
Average rate	1.15		1.21	
£ Total cost		174,177		165,288

In this example, fixing the stage payments using forward contracts saved a total of **£8,889.**

Forward Contracts are better than your home insurance policy:

You probably have home contents insurance, yet only 2.2% of adults will experience a domestic burglary in the UK*. But if you leave exchange rates to chance and don't fix a rate using a forward contract, the chances of financial loss are much higher (50/50). If you cover the risk of losing your possessions, why would you expose yourself to currency risk which is, statistically, over 20 times more likely.

*ONS survey 2018

When deciding to buy a property in France, my husband and I failed to consider the implications of the currency exchange and, to be honest, it was extremely daunting to know that the cost of the property could have increased significantly potentially wiping out any renovations we had planned had we sat on our hands and left it to chance.

- Samantha Johnson

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