

# *MANAGING TRADE RISK*

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- *Barclays Approach*
- *Market Expectations*
- *Ensuring Payment*
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- *Global Presence*

## *OUR APPROACH*

*at Barclays we try to  
keep things simple...*

## *The fundamental principles of successful Trade have not changed - but the environment has*

- Its 'about' ensuring that what is ordered is:
  - Produced (and to the right specification)
  - Delivered (and on time)
  - Costs what you thought at the outset
- It's also about ensuring that what is sold :
  - Is paid for (and on time)
  - Generates a level of cashflow and profit of at least what you thought at the outset
- It's also 'all about' enhancing your business' competitive edge by maximising cash flow and leveraging the finance facilities needed for expansion into overseas markets.

# *THE ONE QUESTION*

Will I actually get paid?

Or

Will I get what I paid for?

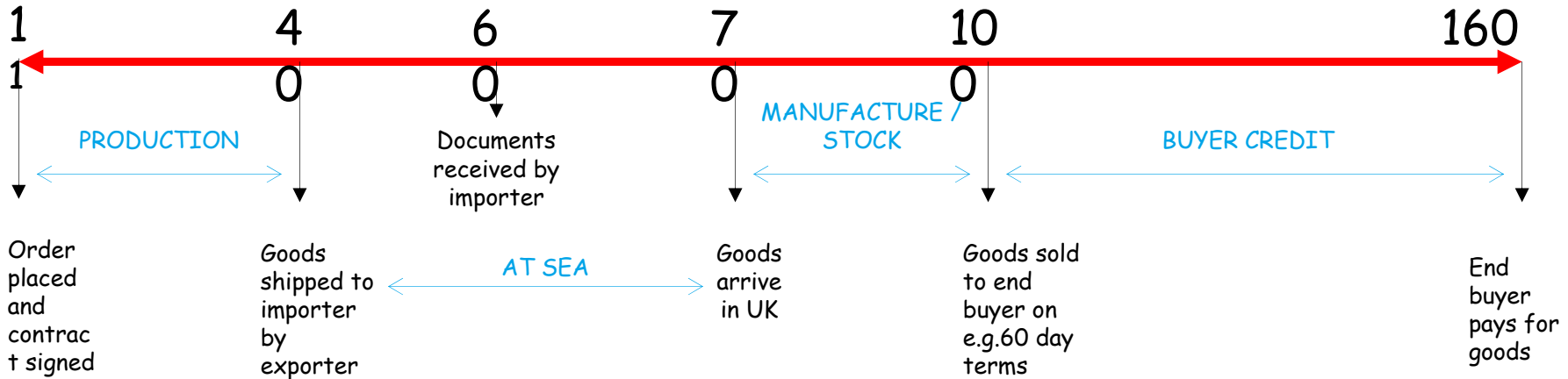
# "THE MARKET EXPECTS"



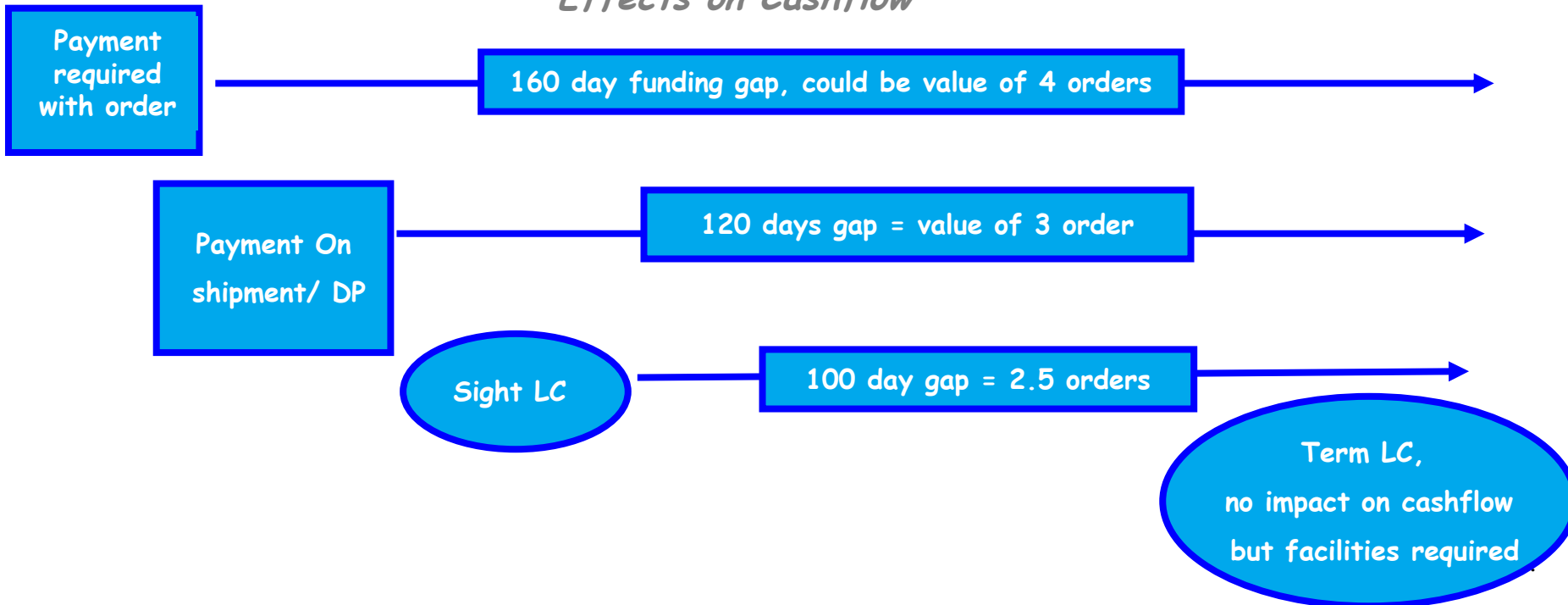
*BUT ....  
WHEN WOULD YOU  
EXPECT  
TO PAY FOR YOUR  
ORDER?*

*WHEN DO YOU  
WANT  
TO PAY FOR YOUR  
ORDER ?*

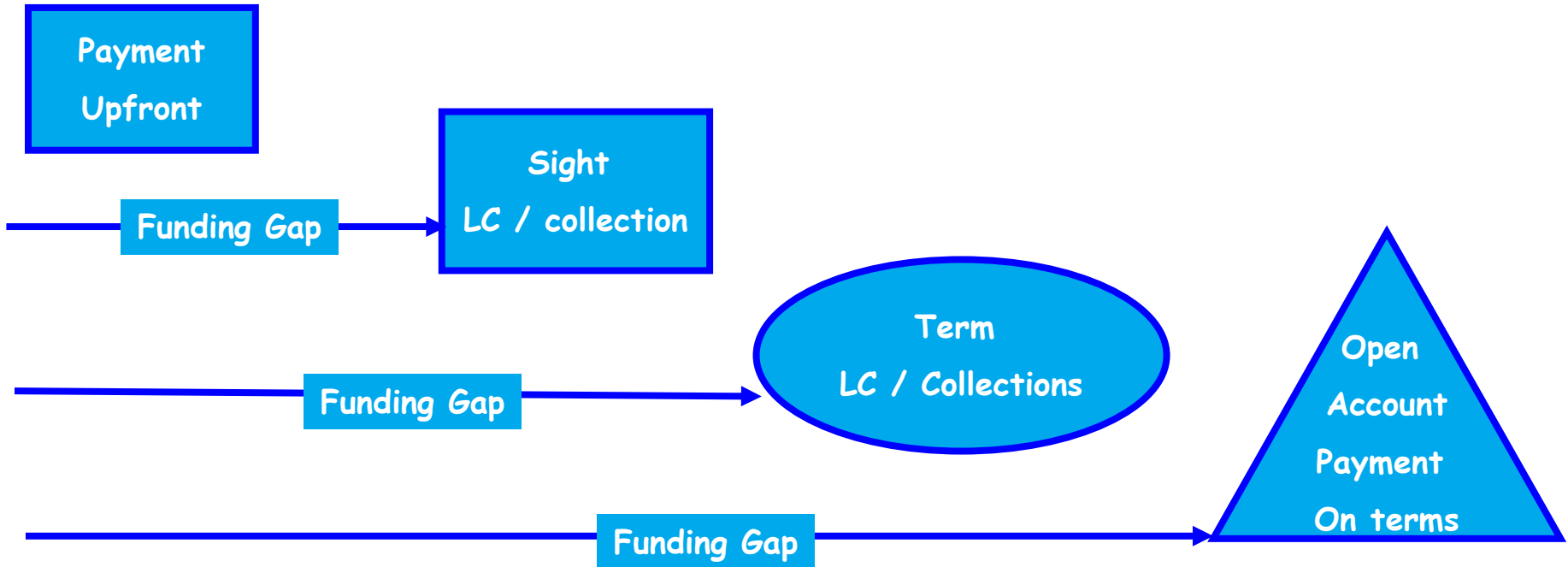
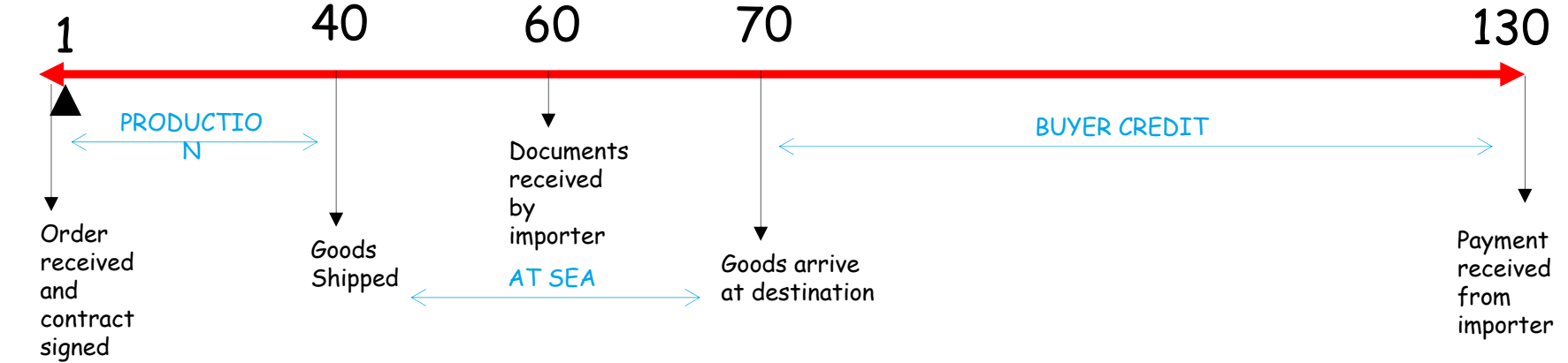
# TRADE CYCLE : IMPORTER



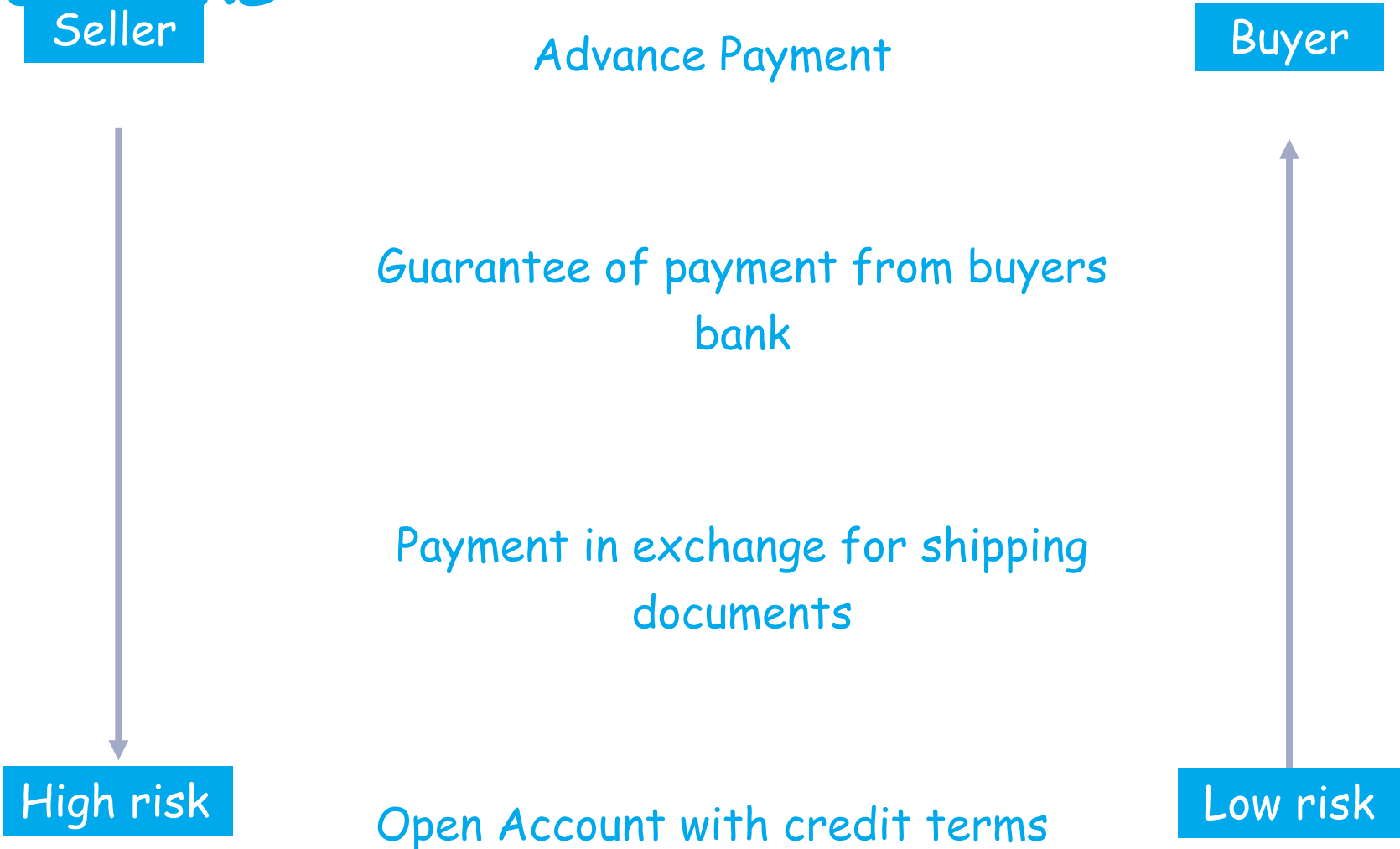
## Effects on Cashflow



# TRADE CYCLE: EXPORTER



# HOW RISKS DIFFER FOR BUYERS & SELLERS



# HOW TO MITIGATE RISKS

- Customer dealing with new supplier which may require some protection from non-payment
- Dealing with new buyers
- Starting to deal with new territories with little familiarisation with local businesses
- Tendering for new contracts

- Long Term payments (between 60- 180 days)
- Customer selling overseas
- Moving to new territories
- Customers require increase in facilities
- Volatile cash flow

- Dealing with blue chip debtor with low volumes but large amounts
- Smaller debtor size with confirmed orders
- Looking for increased facilities
- Volatile cash flow
- Debtor insurance held

## Protection of Payment

- Documentary Letters of Credit
- Documentary Collections
- Standby Letters of Credit
- Avalising-Bonds Guaranteed

## Transactional Financing Opportunities

- Discounts under Letters of Credit
- Advances/ Discounting Bills of Exchange
- Forfeiting
- Trade Overdraft
- Trade loans

## Financing Opportunities:

- Selective Invoice Financing
- Receivables Financing
- Payables Financing
- Trade Loans

# *WHAT ARE THE KEY DRIVERS OF FOREIGN EXCHANGE RATES?*

- An exchange rate is the price at which one currency can be converted into another.
- Economic factors - the relative performance of one economy versus another
  - GDP figures
  - Unemployment
  - Inflation
  - Interest rates
- Technical factors
  - Support and resistance levels
- Other miscellaneous factors
  - Geo-Political events - US elections, wars
  - Natural disasters - Hurricane Katrina
  - Big cross currency flows - cross border M&A transactions

# *FOREIGN EXCHANGE RISK*

- ...is the exposure of a company's financial strength to the potential impact of movements in foreign exchange rates.
- The amount at risk is a function of the **magnitude** of potential exchange rate movements and the **size** and the **duration** of the foreign currency exposure.

# *WHY HEDGE YOUR FOREIGN EXCHANGE RISK?*

1) **Do nothing** - this approach will be suitable if;

- You need to be able to **IMMEDIATELY** lower your prices if exchange rates move in your favour

2) **Hedge** all or part of your expected foreign exchange exposure - this approach will be suitable if;

- You publish price lists or otherwise look to fix your prices for a set period  
If you would like to minimise your chance of making FX losses

# *I NEED TO BE "GLOBAL"*



**Europe:** France, Ireland, Italy, Portugal, Russia, Spain, United Kingdom

**Africa:** Angola, Botswana, Egypt, Ghana, Kenya, Mozambique, South Africa, Tanzania, Uganda, Zambia, Zimbabwe

**Asia:** India, Mauritius, Pakistan, Seychelles, United Arab Emirates

Restricted commercial banking product capability in the USA

# FOOTPRINT IN EMERGING MARKETS




## Footprint in Emerging Markets

- Full Commercial Banking Operations across 17 countries in Emerging Markets
- Investment Banking and treasury present through Barclays Capital and ABSA Capital
- Market leading retail banking coverage

# TURNING THE CORNER.

- We are committed to supporting businesses in this challenging market by providing networking events, information and practical guides to help them make informed decisions on the challenges they face.
- One of the ways we are doing this is through our *Turning the Corner* campaign where the focal point is our website [www.barclayscommercial.com/turningthecorner](http://www.barclayscommercial.com/turningthecorner).
- Please visit the website where you will find a range of support materials.

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# *QUESTIONS*