

FX Education Series:

Why Transact In Foreign Currencies?

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Whether you're entering one or multiple overseas markets, your choice of transaction currency will impact your bottom line.

To help with your decision, let's take an example where a company buys from a supplier in Brazil. If you pay in US dollars, the supplier will need to convert to local currency. Because of exchange rate uncertainty, they may build in a currency risk premium to compensate for fluctuations. Paying in Brazilian real can eliminate this premium and so may reduce your costs. And converting funds yourself offers complete visibility into the rates you receive. As local currency payments are typically credited to suppliers more quickly, you may be able to negotiate more favorable payment terms.

Let's say you also decide to sell into Europe. Selling in Euros can make your product more competitive in local markets. You may attract buyers who can't or won't pay in US dollars or manage exchange rate risk themselves. And you may be able to increase pricing over time since you're offering customers the convenience of paying in their own currency.

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