

**Georgia Institute of Technology
Foreign Exchange Hedging Program
Finance Department – Treasury Services
January 3, 2007**

Program Participation

In order to initially participate in the Foreign Exchange Hedging Program, a Georgia Institute of Technology (“the Institute”) department or program (“Program Sponsor”) must contact the Office of International Education (OIE) to discuss their specific business needs and/or concerns. Only after OIE and Treasury Services determine that a Program Sponsor is properly qualified (from a transaction and risk management standpoint) is a program eligible for participation in the Foreign Exchange Hedging Program. OIE will designate and document the approved authorizing individual(s) by Program Sponsor name.

Transaction Proposal

After proper approval for participation has been obtained, a Program Sponsor can propose specific hedge transactions equal to or greater than \$25,000. All details of the transaction must be documented and submitted to OIE who will then in turn submit required information to the Director of Treasury Services via e-mail. The minimal initial required transaction details are as follows:

- Date(s) of foreign business transaction(s), *
- Amount(s) of foreign business transaction(s),
- Currency of foreign business transaction(s),
- Business purpose of foreign business transaction(s),
- Party(ies) that will be paid by foreign business transaction(s),
- Domestic revenues and/or receipts that offset foreign business transaction(s),
- Date(s) of domestic revenues and/or receipts that will offset the foreign business transaction(s), and
- Percentage of transaction to be hedged. (It is recommended to hedge no more than 80% of the total amount of the foreign expenses, based upon the structure of the program. Not hedging 100% allows the Institute to remain somewhat flexible for cancellations by students or changes in payment contracts. However, hedge percentages higher or lower than the recommended range can be considered based upon written request.)

Treasury Services may require other details based upon the individual transaction submitted.

Treasury Services will approve a foreign exchange hedging transaction only after proper review and documentation of the specific transaction has been completed.

* **Note:** Transactions being hedged must be completed within the same fiscal year, meaning that all hedges must be initiated and concluded between 7/1 and 6/30 of a single fiscal year and all foreign currency obtained through the forward contracts must be expended within the same time period.

Transaction Initiation

After Treasury Services has properly approved and documented a proposed transaction, competitive blind quotes will be obtained from the Institute's approved foreign exchange counter-parties and select the vendor that provides the required foreign exchange services based upon the most favorable exchange rate/transaction cost. Treasury Services is the only department approved for execution of foreign exchange transactions through either the spot or the forward markets.

Transaction Settlement

All foreign exchange futures contracts will be settled into an established, Institute approved, domestic financial institution foreign-exchange demand deposit account (foreign DDA). As Foreign Exchange Hedging Program transactions are "true" hedges, it is the policy of the Institute to always take delivery of the foreign currency. If a transaction is submitted to Treasury Services that does not require the delivery of foreign currency, it will not be considered as a part of this documented Foreign Exchange Hedging Program.

Payment Transactions

Upon delivery of the foreign currency, all payments will be disbursed from the foreign DDA in a manner that is compliant with existing Accounts Payable (A/P) disbursement policies. As such, all payments will be properly documented and approved, then submitted to A/P for disbursement. Only A/P will be authorized to disburse funds to vendors from the foreign DDAs. Although Treasury Services will track spendings by Sponsored Program, we recommend that all approved Sponsored Programs track their foreign spendings against their foreign cash balance. All disbursements made past the point of the Program Sponsor foreign cash balance will be executed through a spot transaction. Treasury Services will inform OIE and the Program Sponsor when their foreign cash balance has been expended.

Other Hedging Program Issues

Program Sponsor Pricing Recommendations

Any Program Sponsor participating in the Foreign Exchange Hedging Program should ensure that they do not guarantee a 100% refund to participants should a foreign studies program be cancelled. This will ensure that any transaction costs (foreign exchange or foreign vendor charges) can properly be passed on to the participants. Please note that this does not require that all transactions costs be passed on to the cancelled program participants, it merely allows for such charges. All cancellation transactions charges should be reviewed and decided upon by the Program Sponsor management. (Please see Cancellation of Transaction below regarding cancelled foreign exchange transaction fees.)

Cancellation of Transaction

Should a Foreign Exchange Hedging Program transaction need to be cancelled prior to taking delivery of the foreign currency, the Program Sponsor will be responsible for all residual transaction costs. Treasury Services will inform the Program Sponsor of the amount of those costs within 24 hours of properly

approved cancellation requests. Cancellation requests must be made by e-mail by the original approved authorizing individual, and must copy their direct manager. Treasury Services will provide the details of the transaction cancellation costs and timing back to the authorizing individual via e-mail. Cancellation requests cannot be rescinded and any costs of any cancellation must be borne by the Sponsored Program, without exception.

Spot Transactions

Programs needing to execute foreign currency payments immediately (known as “spot” transactions) must complete the following steps in order to process their transactions:

1. Consistent with A/P Policy, a Check Request Form (noting the PeopleSoft account to be charged) must be submitted to A/P along with the original vendor invoice or request for reimbursement. Please make sure to include payment details noting wire instructions (via the Wire Transfer Request Form) or foreign draft delivery details.
2. Upon appropriate review and approval by A/P, Treasury Services will be notified of the transaction.
3. Treasury Services will secure the foreign currency through a competitive blind bid process, thus insuring the best transaction rates.
4. Treasury Services will either execute the wire as instructed, or will have the foreign draft issued and delivered to A/P for final issuance to the vendor.

Should you have an emergency need for the foreign funds due to transaction timing or concerns about fluctuations in the foreign exchange market, please contact one of the A/P managers (Sharon Jackson, Jaki McCadden, or Beth Ann Vargo) to expedite your request.

K:\Treasury Services\Bank Account Information\Bank Docs\Foreign Exchange Hedging Program.doc