

# **FX Rate Integrity<sup>®</sup>:** **The Solution to Lowering** **FX Costs**



Blades International, Inc.

# A Common Theme Across Transactions: Fees

Fees or processing costs are inquired by clients, regardless of the financial service.

The goal is not to eliminate fees, but to avoid unnecessarily high or unfair fees.

Often, clients are not sure where to begin the process of reducing their transaction costs, especially when dealing with foreign exchange transactions. Clients may be wise to seek out the help of third parties who can educate the client on the details of their FX transaction costs, negotiating a new agreement, and the monitoring process that follows.

# Client Sophistication Affects Client Fees and Markups

Across all platforms, financial institutions typically determine client costs and fees based on their level of sophistication. Financial institutions often view corporate client sophistication as an indicator of “fair” markups.

If a corporate client appears to be “inexperienced”, “indifferent”, or “unsophisticated” by the financial institution’s standards, they are more likely to receive higher fees or markups. Corporate clients who show sophistication and an understanding of how their fees and costs are managed are able to effectively negotiate a more appropriate fee or markup agreement.

In regards to FX....

An unsophisticated client may appear “indifferent” to their FX costs and will therefore receive a higher BP markup. A client who understands their FX costs, and is interested in managing them, can more confidently negotiate a Fair Markup Agreement with their bank.



**“Critical to negotiations is a [client’s] sophistication (e.g., understanding of similar agreements in the industry).”**

-Amand Goel, Association for Financial Professionals

# Cost Reducing via Data Analytics



In order for corporate clients to negotiate lower fees and transaction costs, they need to begin the process of analyzing data—specifically analyzing their *existing* costs compared to their *deserved* costs.

In terms of FX transactions, analyzing current and future FX Costs requires access to historical data. A comparison should be made between the bank-given exchange rate and the actual exchange rate at a given time.

Blades International, Inc. is able to access historical data detailing a currency’s activity on the market for any given date and time. BII then uses this data, in combination with information provided by a client, to determine a markup in terms of Basis Points. BII will alert a client if they are receiving Excessive Markups and help with negotiating a lower markup. This innovative service is called **FX Rate Integrity®**.

*“When negotiating, it is helpful to know what your peers are paying for the same type of services (currency exchange). Third parties have exposure to broader data sets and insights that can prove valuable.”*

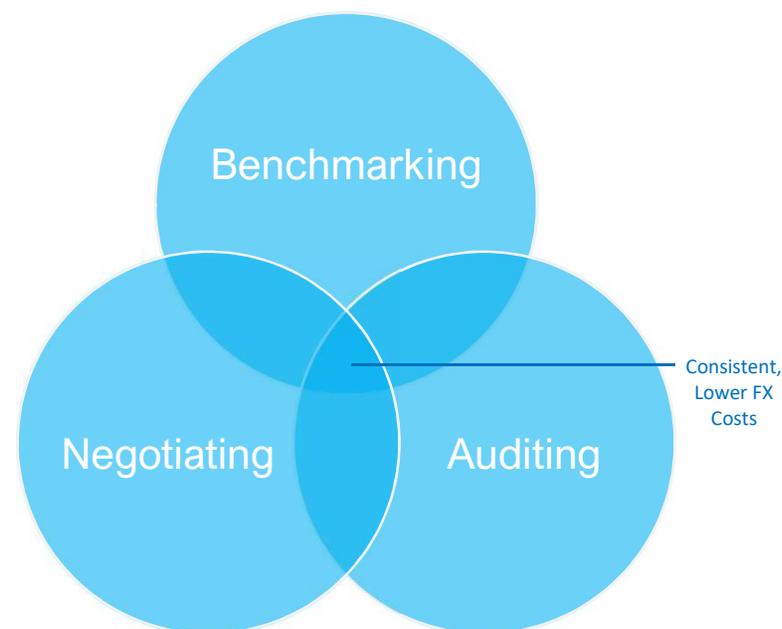
-Amand Goel, Association for Financial Professionals

# Reducing Fees, Particularly FX Costs

Transaction costs are incrementally lowered through a constant monitoring process. There is no single step solution to reducing fees, particularly FX Costs.

Corporate clients who wish to reduce their FX Costs and maintain a consistent FX Markup should implement the following steps:

1. **Benchmarking:** This includes analyzing the existing data, becoming aware of the appropriate rate according to existing and estimated FX Flows, and preparing a Fair BP Markup Agreement.
2. **Negotiating:** Once a client becomes aware of their existing FX Costs, they can more readily understand their deserved BP Markup. The client is then ready to negotiate a Fair Agreement with their respective bank. The negotiation can be backed up by the analyzed data.
3. **Auditing:** In order to ensure a Fair BP Markup remains consistent, a client should continuously monitor their FX Costs and be aware of any changes.



Clients can trust **FX Rate Integrity®** will not only begin the process, completing each step along the way, but will continue the ongoing process of regular monitoring.

## Conclusion: Lowering Costs Is An Ongoing Process to be Regularly Monitored

The decrease in FX Transaction Costs is an ongoing process, which must be regularly monitored. Clients may feel they do not have the time or resources to dedicate to such a process, which is why contacting a third party service provider can be helpful.

Blades International, Inc. seeks to support corporate clients by doing the heavy lifting for them. With a *complimentary* initial review, **FX Rate Integrity®** will complete each step of the process and continue to monitor routinely. The service is aimed at alleviating corporate clients, while simultaneously saving them money on their FX transactions.

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