Foreign Exchange Risk Procedure

Section 1 - Purpose

(1) This document details the procedures relevant to the management of foreign exchange risk for the University of Newcastle (University).

(2) This document should be read in conjunction with the Foreign Exchange Risk Policy.

Section 2 - Scope

(3) This procedure applies to financial transactions conduct in foreign currency on behalf of the University and its controlled entities, including contracts associated with such financial transactions.

Section 3 - Definitions

(4) In the context of this document:

Defined Term	Meaning
Business Unit	College, school, Division or Unit of the University.
Foreign Exchange Risk	The risk associated with movements in currency exchange rates which may impact the University's financial results.
Foreign Currency	Any currency other than $AUD.
Foreign Currency Account	A bank account holding a foreign currency, held by the University.
Foreign Currency Movement	The change in the foreign currency amount between one point (i.e. budget or contract agreement) and the time a related transaction is finalised.
Foreign Exchange Rate	The rate at which the foreign currency can be exchanged.
Forward Exchange Rate	An agreed foreign currency rate set for a defined point in the future.
Hedge	A method of risk mitigation aimed at reducing financial loss.
Hedging Contract	A binding transaction to limit exposure to the foreign currency exchange rate.
Portfolio Limit	The total amount of hedging contracts the University will hold.

Section 4 - Contracts and Payments

(5) To the extent possible, financial transactions and contracts will be agreed to in Australian dollars.

(6) Where there is a compelling business need to contract with suppliers or funders in a foreign currency, Financial Services will implement processes using the following hierarchy:

a. if the foreign currency is to be used ad hoc, or is of low value, the transaction will be settled via a foreign

currency in the normal course of business;

b. where the University business unit will regularly transact in a foreign currency and a foreign currency account is established, the contract will be settled via use of, or transfer of funds to, the foreign currency account;
c. where significant excess foreign currency cash ouflow requirements cannot be met by incoming payments the foreign currency account will be monitored by Financial Services and the currency may be purchased (through hedging contracts) as required on a case by case basis.

(7) The University may opt for a foreign exchange hedging contract in circumstances when it may be likely that the University is unable to meet any foreign currency payment commitments. The decision to implement such contracts must be based on advice from Financial Services and any potential negative impact on University operations or finances. Financial Services are responsible for the management of all foreign currency hedging contracts.

Foreign Currency Transactions of Significant Value

(8) Significant value means any transaction or contract in a foreign currency that is equal to or greater than $2,000,000 (AUD). Where multiple arrangements are agreed to with a single supplier, the total of those contracts will be considered when determining whether the financial transactions/contracts represent a significant value.

(9) Where a business unit is seeking to make purchases or agree to contracts in a foreign currency of a significant value, the Finance Business Partner (FBP) for that business unit must be contacted to conduct a risk assessment. The FBP must then inform Corporate Accounting and Treasury (CA&T) of the risk assessment findings, risk rating, and the likely future commitments and/or receipts (please see Risk Management Framework).

(10) The following steps must be undertaken for contracts identified as being of significant value:

Step	Action	Responsibility
1	Where possible, contracts should be negotiated in AUD. Where this is not possible and the contract is agreed to in foreign currency, Financial Services must be advised via email to: Finserv-FinancialAcc@newcastle.edu.au. The email must attach the contract and include details of the: a. name of the requestor; b. currency of the contract; c. name of the delegate who may approve the contract; d. timing of the forecast payments/receipts; and e. reason why the contract is denominated in foreign currency. All contracts must be approved in accordance with the University's delegations of authority (please see Delegation of Authority Framework).	Business Unit
2	Financial Services will provide the following advice to the business unit: a. how foreign exchange risks can be minimised; and b. the appropriate banking details for foreign currency payments. Notification of foreign currency payments from the University to an external party must be received at least five business days in advance of the payment being due to allow for appropriate approvals to be obtained.	Financial Services
3	Where a foreign currency payment is being made to the University and the University holds a Foreign Currency Account for the given currency being received, receipts are to be deposited to the University foreign currency account. Where a foreign currency payment is being made to the University and the University does not hold a foreign currency account for the given currency being received, receipts are to be received into the general operating bank account (AUD).	Financial Services

Step	Action	Responsibility
4	For payments to another party: Each month Financial Services will prepare a forecast foreign currency cashflow for foreign currency accounts using known commitments as per information provided from the relevant FBP. Where sufficient funds are held in the payment foreign currency account, these balances may be utilised to make payments as and when due, using existing banking controls to process payments. Where a shortfall in foreign currency is identified in the cash flow forecast an assessment of the foreign exchange risk will be performed to determine if hedge contracts should be entered into. The risk assessment will include, but should not be limited to: a. the period between entering the commitment and scheduled payment date; b. the certainty of the payment obligation arising; c. the value of the foreign currency transaction; d. the portfolio of hedge arrangements in place at the time the consideration is being made; and e. the likelihood of future foreign currency inflows to offset the contracted expense. If there are insufficient foreign currency holdings, and a hedging transaction is deemed appropriate, funds from the AUD operating account will be applied to make the contracted payment.	Financial Services

Recommendation to Enter Hedge Arrangement

(11) Where a hedging arrangement is recommended by Financial Services, the following steps must be undertaken for purchases or contracts in a foreign currency:

Step	Action	Responsibility
1	The requestor must complete an Foreign Currency Purchase Form using the contract details and email this to Finserv-FinancialAcc@newcastle.edu.au.	Business Unit
2	Once the completed Foreign Currency Purchase Form is submitted to Financial Services and the relevant approval delegations are confirmed, Financial Services will assess the requirement of a hedging contract. The register of open hedge contracts will be provided to the delegate for each individual request to demonstrate the portfolio limit (as per the Foreign Exchange Risk Policy) is not breached.	Financial Services
3	Where a hedging contract is approved, Financial Services will process a hedging transaction, in accordance with the Foreign Exchange Risk Policy, to lock in the forward exchange rate until the future date(s) specified. At the time the trade is confirmed the portfolio of hedging arrangements will be updated and the budget holder or contract owner, as applicable, must be notified of the hedge arrangement including the rate/s of exchange and date/s of settlement.	Financial Services
4	Once the hedge is put in place, it is unable to be cancelled without cost to the business unit. Hedging contracts will be limited to a maximum of 15 months duration (to account for budget timing). In cases where a hedge has not been settled within the requested period, it will settle automatically at the maturity date. Open hedging contracts are monitored by Financial Services monthly and reconfirmed with business units where a hedge is due to settle within 4 weeks. If a business unit wants to either extend a hedge beyond the initially requested period or put in place a contract for a period greater than 15 months, a request with relevant approval must be made to Financial Services at least 30 days prior to the expiry in case of contracts. A new contract must be executed to reflect the amended terms and the existing hedge must be 'closed out'. This process is managed by Financial Services following confirmation from the business unit. All foreign currency movements incurred due to a change to a hedging contract must be borne by the requesting business unit and met through existing budget allocations.	
5	Foreign currency hedges will be reviewed at each period end to enable accounting adjustments required in accordance with AASB 139, Financial Instruments. Resulting unrealised gains and losses will be recognised in a corporate account. Upon settlement any realised gains and losses will be recognised in the relevant corporate accounts.	Financial Services

Section 5 - Foreign Exchange Control

(12) The Foreign Exchange Risk Policy prohibits any business unit other than Financial Services entering into contracts, agreements or arrangements that actively seek to mitigate foreign exchange risk. Such actions are hedges, given that they lock in an exchange rate prior to the payment becoming due.

(13) Arrangements that constitute a hedge under the Foreign Exchange Risk Policy are defined in AASB 139 as an asset, liability, firm commitment, highly probable forecast transaction, or net investment in a foreign operation that:

a. exposes the entity to risk of changes in fair value or future cash flow; and
b. is designated as being hedged.

(14) Financial Services may use hedging contracts as a Hedging Instrument. AASB 139 (9) characterise hedging contracts that leverage the risk as having the following features:

a. little or no cash outflow/inflows are required until maturity of the transactions;
b. no principal balance or other fixed amount is paid or received;
c. its value changes in response to the change in a specified interest rate, financial instrument prices or rates, credit ratings, foreign exchange rate etc.;
d. potential risk and rewards can be greater than the current outlays; and
e. it is settled at a future date.

(15) Financial Services are responsible for:

a. ensuring hedging contracts meet the criteria of hedge accounting in accordance with the accounting standards;
b. ensuring hedge transactions are approved in accordance with Foreign Exchange Risk Policy;
c. organising the hedging transaction;
d. ensuring information relating to hedging contracts are recorded on a timely basis, and is complete and accurate when entered into the accounting system;
e. ongoing monitoring of hedging contract transactions to recognise and measure events affecting financial assertions;
f. formal periodic reconciliation of hedging contract transactions to recognise foreign exchange gains and losses by comparing the AUD amount, as converted at both the inception date and the settlement date;
g. documenting reconciliation and ensuring they are independently reviewed;
h. initiating cash payments and cash receipts at the time of settlement; and
i. communicating the hedge transaction details to the relevant business unit.

(16) In addition to the basic financial information, such as notional amounts, Financial Services must ensure:

a. initiation records identify the nature and purpose of individual transactions, and the right and obligations arising under each hedging contract;
b. the records identify the dealer, the person recording the transaction, the date and time of the transaction;
c. counterparty banking details are correct and foreign exchange transactions are approved by the relevant delegate in accordance with the Delegations Register prior to executing the transaction;
d. the employee responsible for reconciling and accounting for the foreign exchange transaction is not responsible for settling that transaction; and
e. approvals to enter transactions must be made in accordance with University's Delegations of Authority Framework and Delegations Register.

(17) Financial Services must record all hedging contract transactions in the accounting system for record keeping, audit, and reporting purposes and must be able to produce the transaction report as required by senior management or Internal or External Audit, with the following information:

a. foreign currency exchange amount;
b. currency paid;

c. AUD equivalent amount;
d. relevant Budget Exchange Rate;
e. counterparty;
f. payment date;
g. Foreign Exchange Rate;
h. settlement date;
i. cost of the transaction (if any);
j. current spot rate (if different to rate at which the transaction is dealt);
k. the reason for the difference between the spot rate and the rate at which the transaction is dealt;
l. reason for the transaction;
m. person dealing the transaction;
n. person authorising the transactions; and
o. counterparty payment details.

(18) In addition, records must be kept of any foreign exchange transactions that are modified (e.g. changes to dates, amounts, or rates) or cancelled (e.g. as part of the foreign exchange register or foreign exchange system). This should include the cost of, and reasons for, any such modification or cancellation.

(19) Exceptions or variations from this procedure for foreign exchange transactions must be authorised by the Chief Financial Officer, who may review and provide guidance on any remedial action that should also be undertaken.

(20) Foreign exchange transactions may be subject to audit procedures performed by Internal or External Audit as part of either party's annual audit plans.

Monitoring and Review

(21) Financial Services manage the foreign currency risk on behalf of the University. This risk can only be effectively managed through notification of foreign currency purchases and contracts by the University's business units, at the time of budgeting or where purchases and contracts are identified outside of the budget cycle. Financial Services will assess the requirements for hedging contracts to minimise the risk of foreign currency movements for these purchases in accordance with the University's Risk Management Framework.

(22) An annual review of the University's foreign currency transactions will be performed by Financial Services to monitor significant volumes or values of transaction made in a currency other than Australian Dollars (AUD). Financial Services will use this information to determine the actions required to prevent significant currency movements affecting the budgets of business units and where necessary implement foreign exchange contracts to minimise risks.

Section 6 - Reporting

(23) Details of foreign currency instruments will be reported quarterly by the Chief Financial Officer to the Finance & Infrastructure Committee in the Financial Services Report.

Section 7 - Related Documents

(24) Australian Accounting Standard (AASB) 139 Financial Instruments: Recognition and Measurement.

(25) Foreign Exchange Risk Policy.

(26) Risk Management Framework.

(27) Delegation of Authority Framework.

Status and Details

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Effective Date	9th December 2025
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Responsible Executive	Michael Di Rienzo Chief Financial Officer
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Glossary Terms and Definitions

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 of the University of Newcastle Act 1989.

"Risk" - Effect of uncertainty on objectives. Note: An effect is a deviation from the expected, whether it is positive and/or negative.

"Risk assessment" - The overall process of risk identification, risk analysis, and risk evaluation.

"Asset" - Any tangible or intangible item (or group of items) that the University owns or has a legal or other right to control and exploit to obtain financial or other economic benefits.

"Controlled entity" - Has the same meaning as in section 16A of the University of Newcastle Act 1989.

"School" - An organisational unit forming part of a College or Division, responsible for offering a particular course.

"College" - An organisational unit established within the University by the Council.

"Delegate" - (noun) refers to a person occupying a position that has been granted or sub-delegated a delegation of authority, or a committee or body that has been granted or sub-delegated a delegation of authority.

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