Could Foreign Exchange Make Your Bank Money?

Southern Financial Exchange
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First Tennessee Bank
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Wholesale Solutions
Foreign Exchange?

• FX is the basis of international trade and investments

• Biggest market in the world - \textbf{daily} turnover rate of $5\text{ Trillion}$

• By 2020 global payments produce $2.2\text{ Trillion in annual revenue}$

Payments Revenue

North America in 2015

$425 Billion

Cross Border

Commercial $55.75 Billion
Consumer $12.25 Billion

Why Foreign Exchange?

Customers
- Needs
- Competition

Revenue
- Fees
- Spread – buy low – sell high
Benefits to Customer?

**Exporters**

- Export to increase sales
- Beat the Competition
- Take the exchange rate risk off their clients
- Manage their own exchange rate risk

**Importers**

- Import a key part or product
- Pricing in Dollars
  - Vendor inflates the price
  - The great unknown
- Pricing in Vendor currency
  - Pay Vendor his local price
  - Control exchange rate risk
What Products?

- Checks
- Wires
- International ACH
- Foreign Currency Accounts
- Hedging
Hedging?

- Conservative approach
  When you know you have the exposure, hedge!

- Hedging can keep in income or expense more level and predictable

- An extension of credit to your customer
How does my bank do this?

Partners

• An Upstream Correspondent
  - Transaction processor
  - Trusted advisor

• Non-Bank providers
  - Vendor management

• The Fed
  - Transaction processor
Recipe for Revenue

+ Serving the Customer – Educating the Customer and Protecting Relationships

+ Handful of products

+ Partners
Questions?

Thank You!

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