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alt·21

Mind the Hedging Gap

The Alt21 Business FX Hedging Report & Guide

2027 EDITION



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Your exposure.
Your decisions.
Your Hedgucation.

React — Monitor — Plan — Embed

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The Big Picture

Where currency management is heading



Pritesh Ruparel
Group CEO, Alt21

> “Businesses shouldn’t need to become FX specialists just to understand their choices.

In my experience, many finance teams have good visibility of what’s coming.

Finance teams can see what’s in the bank, what’s been invoiced and what’s due to be paid. They build forecasts around future revenue and costs, with more of that information becoming connected across their financial systems.

Foreign exchange introduces another variable. A business might know it needs to pay a supplier €500,000 in six months and have that payment sitting in its forecast, without knowing what those euros will ultimately cost in sterling.

Managing that uncertainty has traditionally been a fairly specialist area of finance. There’s terminology to understand, different products to consider and, often, a reliance on someone with specialist FX knowledge to help make sense of it.

I think that will change. Managing expected money will increasingly become part of the same financial processes businesses already use to manage the money they have today.

That doesn’t mean every business should hedge, or that businesses should hedge more.

Sometimes doing nothing will be a perfectly reasonable decision. Businesses need enough visibility and understanding to make that decision deliberately.

The findings in this report didn’t particularly surprise me. In my experience working with Alt21’s clients, some smaller businesses can be hesitant about hedging. It can feel complicated, the terminology can be difficult to navigate, or they may question whether hedging would make a meaningful difference. The data in this report does not tell us whether these are the reasons behind the findings. What it does show is a range of approaches to managing currency across the UK and Europe.

We’ve grouped those behaviours into four stages:

React — Monitor — Plan — Embed

Together, they form the Alt21 Currency Maturity Curve.

The Curve isn’t a scorecard. There’s no prize for reaching the end, and the right approach will depend on the business, its exposures and what it’s trying to achieve. It gives us a way to understand the different approaches businesses are taking today and how those approaches can develop over time.

“

The opportunity is to remove more of the work around that decision.

I believe the next few years will change that process considerably.

AI can make information easier to interrogate.

Automation can take rules that a finance team has already decided and apply them consistently.

Embedded hedging could connect currency management much more closely to the transaction creating the exposure in the first place.

None of this requires technology to make the decision for the business. The opportunity is to remove more of the work around that decision.

Businesses shouldn’t need to become FX specialists just to understand their choices. They shouldn’t need another system, another spreadsheet and another manual process every time they want to manage something they already know is coming.

Specialist expertise still has a role, particularly when something is unusual or complex. But I think that expertise becomes more valuable when it’s used for the things that genuinely require judgement.

The rest should get easier.

Five years from now, I think the distinction between managing today’s money and planning for tomorrow will be much smaller than it is today.

This report is a picture of where businesses are now.

Where we go from here is the part I’m most looking forward to.

Pritesh Ruparel

Pritesh Ruparel
Group Chief Executive Officer, Alt21



Hedgucation specialists

Prit Ruparel

Group Chief Executive Officer, Alt21



> **Most likely to build something different.**

Prit is Group CEO of Alt21 and has spent more than 20 years in financial services, building businesses, electronic trading systems and digital hedging platforms. He is focused on giving finance teams greater control over how they manage currency, with clear pricing, direct execution and access to specialist expertise when they want it.

Toby Osborne

Chief Financial Officer



> **Most likely to have already built next year's forecast.**

Toby is CFO at Alt21 and a chartered accountant with almost 30 years' experience in finance. Before joining Alt21, he spent more than a decade as CFO at Sucden Financial and held senior finance roles at Czarnikow. His experience spans financial planning, treasury, FX, liquidity, risk and building the processes that support growing businesses.

Tom Vooght

Head of Sales



> **Most likely to ask what rate you used in the budget.**

Tom is Head of Sales at Alt21, with more than eight years' experience in foreign exchange and corporate FX. Before joining Alt21, he held senior sales roles at Agility Forex and Argentex, working with businesses on their currency requirements and derivatives. He also holds a Master of Engineering from the University of Birmingham.

Chris Canning

VP of Sales & Trading



> **Most likely to know what's happening in the market, even though nobody can predict where it's heading.**

Chris is VP of Sales & Trading at Alt21, with almost 20 years' experience in foreign exchange and financial markets. Before joining Alt21, he spent 13 years at Argentex, latterly as FX Dealer and Head of Strategic Partnerships across the UK and EU. He holds an MSc in Finance from the University of Leeds.

Comments from Alt21 employees are general information and not advice.

The Currency Maturity Curve

Business FX hedging often starts with knowing you've got a payment or receipt coming up and thinking about the exchange rate before it arrives.

As those future requirements become clearer, FX can start to feature in forecasts, budgets and the decisions finance teams make about what they want to manage in advance.

Our analysis of UK and European client behaviour over the last five years shows just how varied that journey can be.

But before we get into the findings, it helps to explain how we put this report together.

We wanted to understand the different ways businesses approach FX hedging, from dealing with currency requirements as they arise to planning for future exposure and making hedging part of an established process.

To make sense of those behaviours, we've developed the Alt21 Currency Maturity Curve.

REACT → MONITOR → PLAN → EMBED

The Curve groups the behaviours we can see into four broad stages, from reacting to currency requirements as they arise through to more established approaches to managing future exposure.

React

No hedging quote requested and no Forward Contract or FX Option completed during the period analysed.

Monitor

At least one hedging quote requested, but no Forward Contract or FX Option completed.

Plan

Forward Contracts begin to form part of managing future currency requirements, from a first forward through to multiple forwards across different settlement dates.

Embed

More sustained hedging behaviour, including the use of FX Options, rolled or layered Forward Contracts, or Forward Contract activity across multiple currency pairs.

It isn't a score or a recommendation that every business should move from one end to the other. Different businesses have different exposures, cash flows, levels of forecast certainty and commercial objectives. Hedging may be appropriate for some exposures and not for others.

Instead, the Curve gives us a way to look at where businesses are today, how behaviour changes as future currency requirements become part of financial planning and where some of the questions around hedging begin to appear.

The stages describe observed behaviour only. They do not indicate that one stage is better or more advanced than another.

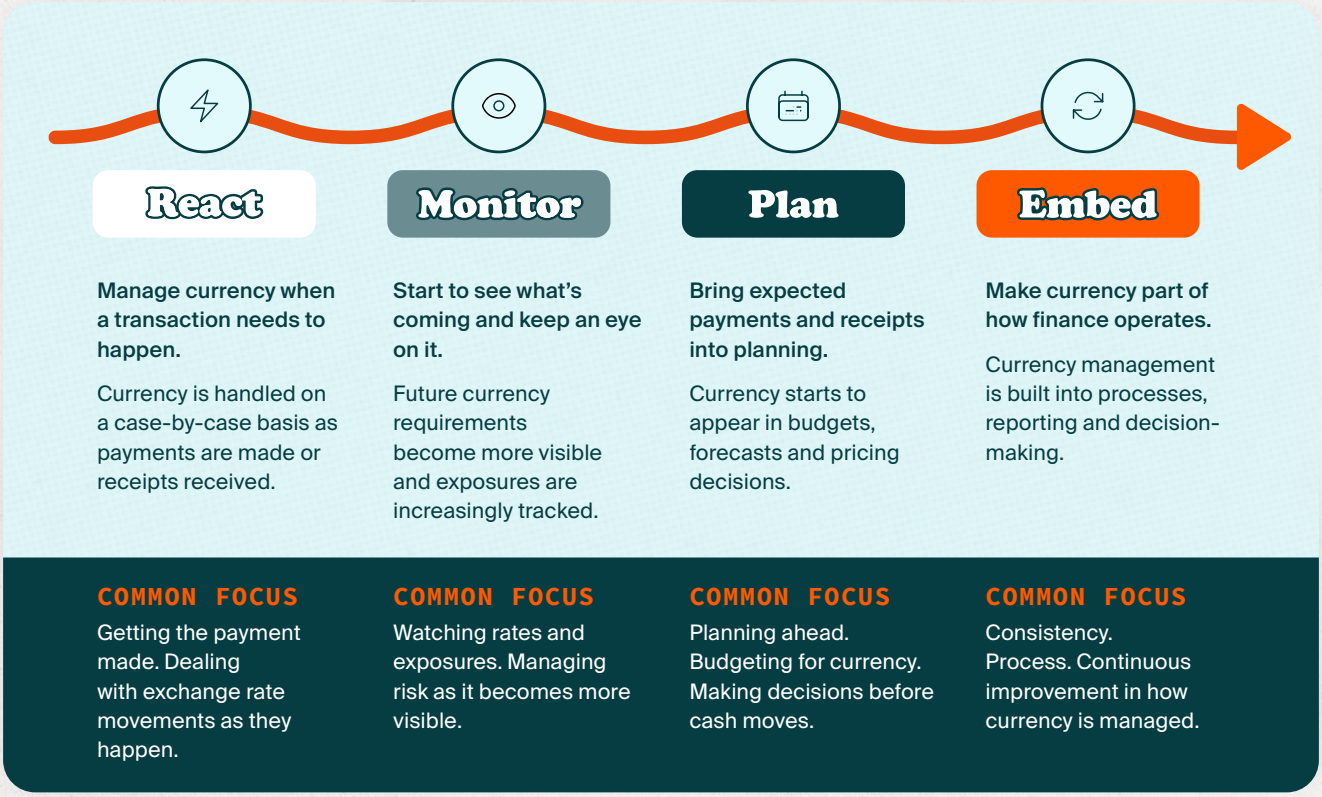
About the data

This report analyses data from Alt21 clients who opened an account and traded at least once over the last five-year period ending October 2026.

The Alt21 Currency Maturity Curve groups businesses into four stages based on their observed hedging activity. Trading activity was assessed across the five-year period, while hedging quote data was available from 15 January 2026 onwards.

As a result, the React and Monitor classifications should be interpreted with this difference in data availability in mind. Businesses may have explored hedging before January 2026 without that activity being captured in the analysis.

The Curve reflects observable activity and does not assess the quality or sophistication of a business's wider treasury or currency management approach.



The short version

For this report, we analysed recorded FX activity among Alt21 clients who opened an account and traded with us at least once over the last five-year period ending October 2026.

We've presented the UK and European findings separately to see whether similar patterns of hedging activity appear across the two groups, and where they differ.

What's interesting is how much the two groups have in common.

React is the most common classification in both, accounting for 67.7% of the UK group and 65.0% of the European group. Plan behaviour is also relatively similar, at 12.4% in the UK and 11.2% in Europe.

However, the European group shows a slightly higher proportion of recorded hedging activity overall. Combining Plan and Embed, 30.1% of European clients had booked qualifying hedging trades during the period, compared with 28.2% of UK clients. The difference is most apparent at Embed, which accounts for 18.9% of the European group compared with 15.8% in the UK.

That raises an interesting question about whether businesses in different regions approach hedging differently. Our findings can't establish whether European businesses are more comfortable with hedging, but they do show a modest difference in the activity recorded among Alt21 clients.

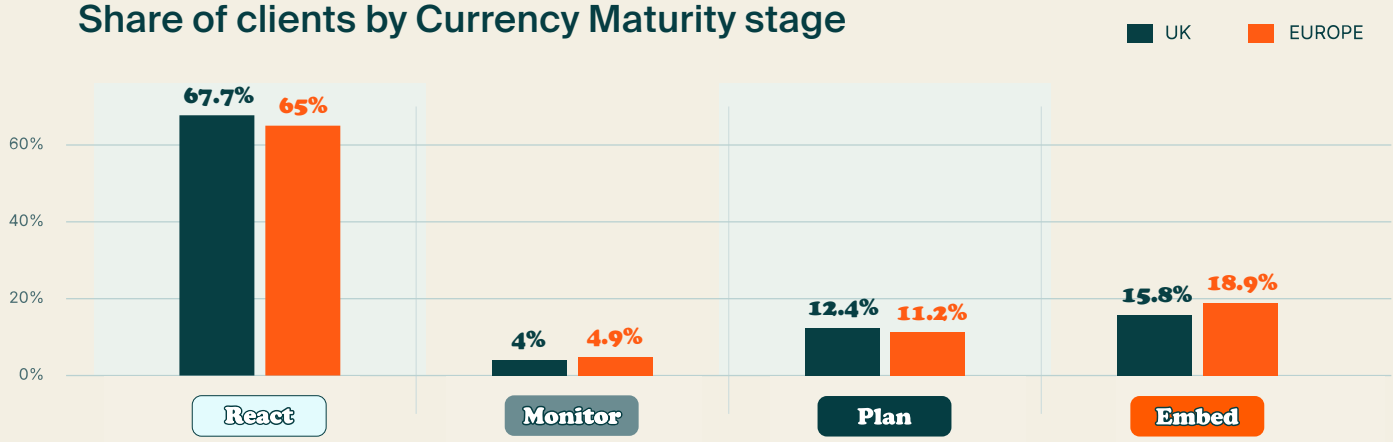
Hedging quote records are also available only from January 2026, which limits what we can conclude about businesses exploring hedging without booking a trade.

Understanding the choices behind currency management involves questions about exposure, costs, commitments and the practicalities of hedging.

That's the gap this report explores. Alongside the findings, we've included practical guidance to help businesses understand their options and consider what approach may be appropriate for their circumstances.

How clients were classified

Share of clients by Currency Maturity stage



What the data shows

React

React remains the most common behaviour observed.

React represents businesses with no recorded Forward Contract or FX Option activity during the five-year period and no hedging quote recorded in the available quote data.

It's the largest group in both regions, although the data doesn't tell us why individual businesses sit here. Some may have no exposure they need to hedge, while others may manage currency as transactions arise.

As hedging quote records are only available from January 2026, earlier enquiries that didn't result in a trade won't be reflected in this classification.

Monitor

Some businesses explore hedging without booking a trade.

Monitor captures businesses that requested pricing for at least one Forward Contract or FX Option but had no recorded hedging trades during the five-year period.

This gives us visibility into businesses exploring hedging without booking a trade. However, the Monitor classification is based on quote activity recorded from January 2026 onwards, rather than the full five-year period.

Plan

Plan behaviour is similar across the UK and Europe.

Plan captures businesses that booked one or more Forward Contracts during the five-year period without meeting the criteria for Embed.

The proportions are relatively similar across the two regions. The classification includes businesses with a single recorded Forward Contract as well as those with multiple contracts across different settlement dates.

Embed

Embed classification was slightly more common in the European group.*

Embed captures businesses with recorded FX Options, rolled or layered Forward Contracts, or sustained Forward Contract activity across multiple currency pairs.

A greater proportion of the European group meets these criteria, although the data doesn't establish why. The classification reflects observed trading patterns rather than the sophistication or quality of a business's wider currency management approach.

*Because a single FX Option qualifies, this does not necessarily indicate more sustained hedging.

The Curve reveals different patterns of hedging activity

Taken together, the findings show a range of approaches to future currency exposure among Alt21 clients who opened an account and traded at least once in the five-year period analysed.

Some businesses have no recorded hedging trades during the period analysed. Others have explored hedging through quotes, booked Forward Contracts or undertaken activity that meets the Embed criteria.

The Curve provides a framework for understanding these differences, while the rest of this report explores the products, decisions and processes involved in managing future currency exposure.

The long version

There's a lot to understand when it comes to FX hedging, from how Forward Contracts and FX Options work to the costs, commitments and practical decisions involved.

The rest of this report follows the Alt21 Currency Maturity Curve, exploring the products, considerations and processes associated with each stage. We've included practical guidance to help you understand your options and decide what might be appropriate for your business.

You don't need to read it from beginning to end.

Start wherever looks familiar.

If you're reacting...

Start with Part 01: Hedging in Plain English. We'll unpack Forward Contracts, FX Options, forward points, premiums and margin calls without assuming you already know how any of them work.

If you're monitoring...

Head to Part 02: Seeing What's Coming. This is where we look at what to pay attention to as future currency requirements become clearer, from timing and pricing to collateral and the terms behind a quote.

If you're planning...

Jump to Part 03: From Exposure to Plan. We'll look at the decisions behind a hedging approach, including whether to hedge, how much, what happens when forecasts change and how to put some structure around those decisions.

If you're embedding...

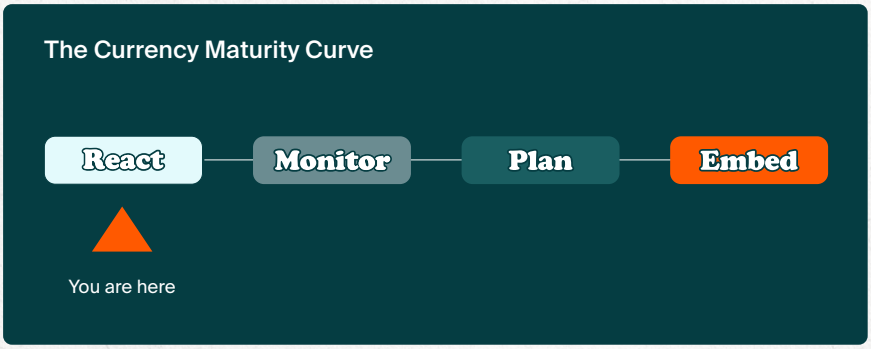
Go to Part 04: Making Currency Part of the Process. This looks at how hedging can become part of forecasting, budgeting and established finance processes rather than a series of individual decisions.

And if you're wondering what comes after that...

Part 05: Beyond the Curve explores how technology, automation and changing ways of accessing expertise could reshape the process itself.


Your
Hedgucation

Part 01
Hedging in plain English



Where businesses sit

67.7% UK
65.0% EU

of active Alt21 clients completed no Forward Contract or FX Option trade in the five-year period.

Understanding how hedging works

Our data shows that 67.7% of active Alt21 clients in the UK and 65.0% in Europe sit at React on the Alt21 Currency Maturity Curve. These businesses had no recorded Forward Contract or FX Option trades during the five-year period analysed, and no hedging quotes in the available records from January 2026 onwards.

We can't tell from the data why individual businesses haven't used hedging products during this period. For some, leaving an exposure unhedged may be a considered decision. Others may not have the type or level of currency exposure that makes hedging relevant to them.

But there is another possibility worth exploring:

Hedging can seem complicated.

The basic business problem is usually fairly easy to understand. You know you'll need to make or receive a payment in another currency at some point in the future, but you don't yet know what that exchange rate will be when the time comes.

The complexity often appears when you start looking at what you can do about it.

- Forward rates are calculated differently from spot rates.
- Forward Contracts create commitments.
- FX Options introduce premiums and different risks.

Depending on the product and provider, there may also be collateral requirements to understand.

Add the terminology that surrounds those products and a relatively familiar business problem can quickly start to feel like specialist treasury territory.

Understanding hedging doesn't require you to become an FX specialist, nor does understanding a product mean it will necessarily be appropriate for your business.

It means knowing enough about how the products work, their costs, commitments and risks to make a considered decision about whether they fit the exposure you're trying to manage.

So that's where we'll start.

1. Start with the future payment

The simplest way to understand a Forward Contract is to start with something you already know is going to happen.

Forward Contract

A Forward Contract is an agreement between two parties to exchange one currency for another at an agreed rate, on a specified date in the future.

The rate is agreed when the contract is entered into, rather than when the currencies are eventually exchanged.



Tom Vooght, Head of Sales

"Say you're a UK distributor buying from a supplier in China. You've agreed the shipment will cost you $3 million, but you don't need to pay until it arrives in 90 days. A Forward Contract lets you agree today's exchange rate for that payment now, rather than finding out what it'll cost you in three months' time."

Illustrative example only.

The purpose isn't to predict where the market will be in 90 days or secure a better rate than you might otherwise have received.

It's to establish the exchange rate that will apply to a known future transaction, so you can understand its cost in advance.

One important detail

The forward rate won't necessarily be the same as today's spot rate. We'll come to why in a moment.

Potential benefits

- **Cost planning**: Knowing the exchange rate that will apply to a future payment or receipt can support budgeting, forecasting and cash-flow planning.
- **More predictable pricing decisions:** If future currency costs are known, businesses can incorporate that information into commercial and pricing decisions rather than relying entirely on assumptions about where exchange rates may move.
- **Terms matched to the exposure:** As an over the counter (OTC) product, meaning it is agreed directly between you and your provider rather than traded on an exchange, a Forward Contract can typically be structured around the amount, currency pair and settlement date required.
- **No upfront premium:** Unlike an FX Option, a standard Forward Contract typically doesn't require an upfront premium, although you may be asked to provide margin (see Potential limitations).

Potential limitations

- **No participation in favourable moves**: Because the rate has been agreed, the business generally won't benefit if the market subsequently moves in its favour.
- **Commitment to settle:** A Forward Contract creates an obligation to exchange the currencies under the agreed terms. An FX Option works differently, which we'll come to shortly.
- **Forecast changes can create complications**: If the amount or timing of the underlying payment changes, the hedge may no longer match the exposure and could need to be amended, rolled or closed.
- **Margin may be required:** Depending on the provider, credit terms and movement in the market, the business may be required to provide collateral while the contract remains open.
- **Potential for loss:** If the market moves in your favour you cannot benefit from it, and if you close the contract before settlement you may have to pay the difference between your agreed rate and the market rate at that time.

"In my experience, some finance teams use Forward Contracts to reduce uncertainty over the cost of a payment. If you're relatively risk-averse, knowing the cost in advance rather than finding out later is often what you're looking for."

- Tom Vooght

A Forward Contract still carries risks, including the obligation to settle at the agreed rate if the market moves in your favour.

2. Why isn't the forward rate the same as today's rate?

A Forward Contract doesn't tell you what the exchange rate will be in three months. It tells you the rate you've agreed to use for that future transaction.

And that rate won't necessarily be the same as the spot rate you see today.

The difference comes down to forward points.

Forward Points

Forward points are an adjustment made to the current spot rate when calculating a forward rate. They're primarily driven by the difference in interest rates between the two currencies and the amount of time until the contract settles.

They're added to or subtracted from the spot rate to produce the forward rate.

Spot rate ± forward points = forward rate

In simple terms, if the two currencies have different interest rates, holding one currency until a future date has a different economic value from holding the other. Forward points account for that difference.



Chris Canning, VP of Sales and Trading

"If you're locking in a rate for next year, what we're effectively doing is saying: you keep your pounds in your account and earn interest on them, but you don't yet hold the dollars and so don't receive the interest they would earn. The difference between the two interest rates is reflected in the forward rate. Depending on the currencies, this may make the forward rate better or worse than the spot rate."

The size of the adjustment also tends to increase with time. If there's an interest-rate difference between two currencies, a 12-month Forward Contract will generally have a larger forward-point adjustment than a one-month contract because that difference applies for longer.

A worse-looking rate isn't necessarily a prediction

This is where forward pricing can cause confusion.

"Take sterling-euro. The spot rate might be around 1.14. But if you're buying euros forward, you might only get 1.12 – and the client will ask why it's so much worse. That's forward points."

- Tom Vooght

For illustration only, and not a current or indicative rate.

Seeing a forward rate below today's spot rate doesn't mean your provider thinks the currency is going to weaken. Equally, a higher forward rate isn't a prediction that it will strengthen.

Forward points reflect the interest-rate relationship between the two currencies over the relevant period. They're a pricing adjustment, not a forecast of where the spot market will eventually trade.

They also aren't the same as your provider's dealing margin, which is the mark up included in the rate you are quoted. This is separate from the margin (collateral) that may be requested while a contract is open. Any provider dealing margin sits separately within the all-in rate you're quoted.

So when you're comparing Forward Contract quotes, it helps to remember that forward points are part of how the forward rate is calculated. Your provider's dealing margin is a separate part of the price you're quoted.

3. Fixed rate or priced flexibility?

A Forward Contract works well when you have a reasonably clear idea of what's coming. You agree the rate, amount and settlement terms in advance and commit to the transaction.

But future cash flows aren't always that predictable.

You might be bidding for a contract you haven't won yet. Customer demand could change. The amount you need might be uncertain. Or you might simply want the ability to respond differently if circumstances change.

In these circumstances, some businesses consider an FX Option:

FX Option

An FX Option gives a business the right, but not the obligation, to exchange currency at an agreed rate on or before a specified date. Rather than committing to use that rate, you're paying for the ability to decide later.



Chris Canning, VP of Sales and Trading

"I showed a client an option on the platform and said – An option is similar to a forward, but you pay a premium and you can choose whether to use it if the rate on the day is better. He said, "Oh, it's basically like insurance then."

Chris's example shows one difference: with a Forward Contract you are committed, with an FX Option you can choose. A client described this as being "like insurance". That is an everyday comparison only. An FX Option is a financial derivative, not an insurance product, and you lose the premium if you do not use it.

That additional flexibility comes with a cost, which we'll look at shortly.

Commitment or choice?

The main distinction between a Forward Contract and an FX Option comes down to the commitment you're making.

	Forward Contract	FX Option
What do you get?	An agreed exchange rate for a future transaction	The right to exchange at an agreed rate
Do you have to use it?	Generally, yes	No
Upfront premium?	Typically no	Typically yes
If the market moves favourably?	The agreed rate still applies	You may choose not to exercise the option
When might it be considered?	Amount and timing are relatively certain	Amount, timing or outcome is less certain
Main cost or risk?	Margin may be requested and you cannot benefit from favourable moves	The premium is lost if the option is not used.

Neither is inherently more advanced than the other. They solve different planning problems.

Consider a business bidding for a contract it may not win. The currency exposure only arises if the bid succeeds. Committing to a Forward Contract could leave the business with a hedge for a payment or receipt that never materialises, and a possible loss if the market moves against it.

An FX Option can provide more flexibility around that uncertainty, but the flexibility comes at a cost.

Different product, different risk

Options sometimes get treated as the more flexible — and therefore safer — alternative to forwards.

That's too simple.

"It's a different risk profile, not simply a lower-risk one – you're trading obligation for a premium."

- Chris Canning

Forward Contracts and FX Options have different risk profiles, costs and commitments. Which is appropriate depends on the underlying exposure, the certainty around it and the flexibility the business needs if circumstances change.

Some businesses may use Forward Contracts for more predictable exposures and FX Options where there's greater uncertainty. Others may only need one product. The approach depends on the business's circumstances, cash flows and objectives.

4. Why pay an FX Option premium?

If an FX Option gives you flexibility that a Forward Contract doesn't, that flexibility has a price.

That price is the option premium.

FX Option Premium

An FX Option premium is the upfront amount paid for the right, but not the obligation, to exchange currency at an agreed rate in the future.

You pay the premium whether or not you eventually use the option. If circumstances change or the market moves in your favour and you decide not to exercise it, the premium isn't refunded.



Tom Vooght, Head of Sales

"The simplest way to think about it is that the option gives you a choice. If the market moves favourably, you may be able to trade at a better rate instead."

Earlier, a client compared the idea to insurance for understanding why a business might pay upfront for something it may never use. The value isn't necessarily in using it. It's in having the option available if you need it.

But the comparison only goes so far.

> An FX Option isn't an insurance product. It's a financial derivative with its own features, risks and suitability considerations.

What determines the premium?

Four of the main inputs that determine an option premium are:

Time: The longer the option runs, the more time there is for exchange rates to move.

Volatility: Greater expected movement in the currency pair can increase the premium.

Strike rate: The exchange rate you want available affects how much the option costs.

Interest rates: The difference between interest rates in the two currencies also feeds into the pricing.

"Businesses sometimes ask how FX Options compare with Forward Contracts. With an option, you can have an agreed rate available while retaining some flexibility if the market moves favourably. That flexibility comes at a cost, though, and options won't be appropriate for every business."

- Tom Vooght

The premium shouldn't be considered in isolation.

5. What happens if you're asked for margin?

A standard Forward Contract typically doesn't require an upfront premium. However, depending on your provider, credit arrangements and market movements, you may be asked to provide funds while the contract remains open.

FX Margin Call

A margin call is a request from an FX provider to deposit additional funds while a Forward Contract remains open.

Those funds act as security. They don't change the exchange rate you've already agreed.

If you do not provide the margin when requested, your provider may close your contract at the prevailing market rate. This could crystallise a loss, which you would be required to pay.

Imagine you've agreed to buy US dollars in three months. The exchange rate has been agreed, but the contract won't settle until the future date.

During those three months, the market may move away from your agreed rate, changing the value of the open contract. Depending on the terms you have with your provider, you may then be required to place additional funds on account until the contract settles.

The amount required, and whether you're asked for margin at all, can depend on factors including the size and duration of the Forward Contract, how far the market has moved, market volatility and the deposit or credit arrangements you have with your provider.

Margin policies also vary between providers, which means businesses entering into similar Forward Contracts may have different requirements.

For a finance team, the practical consideration is the potential effect on cash flow. A margin call could mean having to make additional funds available while the contract remains open, so it's worth understanding the terms before entering into the Forward Contract.

That includes knowing when your provider could ask for margin, how the amount would be calculated, how quickly you would need to provide the funds and what that could mean for your available cash.

Understanding those potential liquidity requirements gives you a clearer picture of the commitment you're making before you enter into the contract.

6. Understanding your options doesn't mean using all of them

Understanding the products is only the starting point. The next step is understanding the currency exposure you're trying to manage.

Future payments aren't always certain. Forecasts change, contracts move and expected amounts can increase or decrease. That uncertainty can form part of how you think about hedging, including whether you hedge at all and, if you do, how much of an exposure you choose to manage.

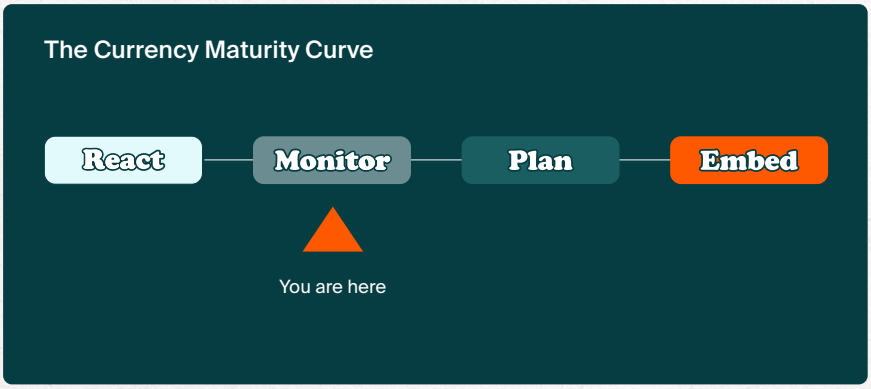
The important thing is understanding the choice you're making.



Pritesh Ruparel, Group CEO

"I don't think every SME needs a sophisticated hedging programme. And I certainly don't think every business needs every FX product available to them. I do think growing businesses deserve to understand their options."

Part 02
Seeing what's coming



Where businesses sit

4.0% UK
4.9% EU

of active Alt21 clients requested at least one Forward Contract or FX Option quote from January 2026 onwards, but had no recorded hedging trades during the five-year period analysed.

*Hedging quote records are available from 15 January 2026 onwards. The Monitor classification therefore reflects a shorter observation period than the trading activity used to classify the other stages.

The first shift happens before the first hedge

Our data also shows a distinct group of businesses sitting at Monitor. 4.0% of active Alt21 clients in the UK and 4.9% in Europe requested at least one Forward Contract or FX Option quote in the available records from January 2026 onwards, but had no recorded hedging trades during the five-year period analysed.

So what happened between looking and acting?

The data can't tell us. The exposure may have changed or disappeared. The pricing or terms may not have worked for the business. They may have decided that hedging wasn't appropriate. Or they may simply have wanted to understand what their options were before making a decision.

There can also be more to consider than the exchange rate itself. Cost, commitment, collateral, forecast confidence and the terms of the product can all form part of the decision.

Those considerations can make the space between "we could hedge this" and "we're going to hedge this" more significant than it first appears.

That's what Monitor is about.

The move from React to Monitor starts when future currency requirements become visible enough to think about before the transaction arrives. That could be a supplier payment, customer receipt, overseas payroll, recurring cost or forecast sale.

At this stage, the job is to understand the exposure and the information surrounding it.

- What currency will you need?
- How much might you need?
- When might you need it?
- How confident are you in those numbers?
- What would the transaction cost, and what terms would come with it?

Those questions give you the information you need to consider what, if anything, you want to do next.

1. Start with when you need the money

Timing is one of the first things to understand about a currency exposure.

A payment due next week gives you a very different planning window from a recurring supplier cost over the next 12 months.

The further ahead you're looking, the more likely it is that some of the details will still be based on forecasts rather than confirmed transactions.

Timing also needs to be considered alongside another question:

How confident are you that the exposure will happen as expected?



Chris Canning, VP of Sales and Trading

"If you get an invoice landed on your desk today, and it's priced in dollars, you buy the dollars, and you know the cost. If the invoice needs to be paid next month, you've no idea today what the cost is going to be next month."

Monitoring those requirements gives you time to understand the exposure before you have to make a decision about it.

The more visibility you have over the amount, timing and certainty of the exposure, the more information you'll have when you eventually decide what, if anything, you want to do.

2. Learn to read the whole quote

Once you've identified a future currency requirement, you may start asking providers what it would cost to manage it.

This is where Monitor becomes more than watching an exchange rate. You're also gathering the information you need to understand the offer in front of you.

An FX quote can contain more than a headline rate or fee. The provider's margin may be incorporated into the exchange rate, while the wider arrangement can include funding costs, collateral requirements, credit terms and conditions governing what happens while a hedge remains open.

That means labels such as "no fee" or "zero-zero" need context.

"No fee" may mean there is no separate transaction charge, rather than no commercial cost at all. "Zero-zero" may describe an arrangement with no initial collateral requirement and an expectation that additional collateral won't ordinarily be requested, but the contractual terms still need to be understood.

"If a provider isn't taking that from the client, then obviously they're funding that. And there's a cost to that, which has to be incorporated into the rate."

- Chris Canning

So when you're looking at a quote, there are a few things worth understanding together:

- The exchange rate you're being offered and any margin applied
- Any separate transaction or account charges
- How funding costs are reflected in the arrangement
- Whether you could be asked to provide collateral or margin
- Whether the contractual terms match what you've been told

The goal is to understand the commercial arrangement as a whole before deciding whether it works for your business.



Tom Vooght, Head of Sales

"Pricing is one part of what to look for. It is also worth understanding the other terms, such as collateral, credit terms and what happens while a hedge is open."

A visible fee isn't necessarily more expensive than a cost incorporated elsewhere in the arrangement. Equally, removing an upfront collateral requirement doesn't automatically make one arrangement more suitable than another.

What works will depend on factors including your cash position, exposure and the terms being offered.

For a finance team at Monitor, the lesson is simple:

Look beyond the headline number and understand the rate, costs, funding and terms sitting behind it.

3. Monitor what the business knows

By this point, you have several pieces of information to bring together.

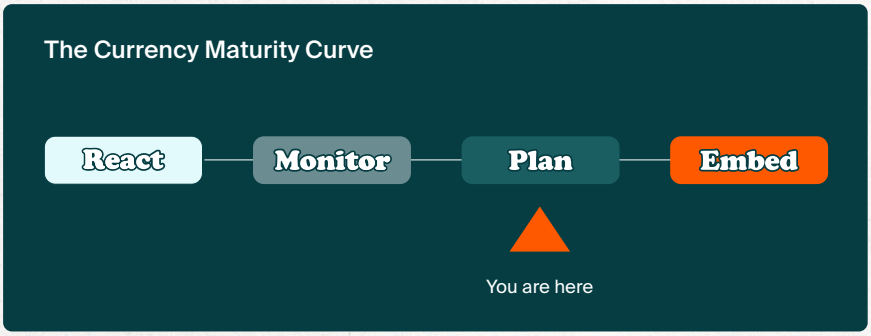
The size and timing of the exposure, confidence in the forecast, the exchange rate, transaction costs, collateral or credit terms and the potential effect on cash flow.

Together, they give you a clearer picture of the currency decision before you have to make it.

You still won't know where the exchange rate will be next month. What you can build is greater visibility over the things the business already knows or can reasonably estimate.

And eventually, that visibility gives you enough information to ask: **"Given what we know about this exposure, what do we want to do about it?"**

Part 03
From exposure to a plan



Where businesses sit

12.4% UK
11.2% EU

of active Alt21 clients showed Plan behaviour in the five-year period.

Seeing the exposure is only the beginning

At Plan, we begin to see businesses using Forward Contracts to manage future currency exposure.

Our data shows 12.4% of active Alt21 clients in the UK and 11.2% in Europe sitting at this stage of the Alt21 Currency Maturity Curve. These businesses booked at least one Forward Contract during the five-year period analysed, without meeting the criteria for Embed.

Some booked a single Forward Contract, while others used multiple contracts across different settlement dates.

Again, the data can't tell us why an individual business decided to hedge. What it does show is that a similar proportion of active Alt21 clients in the UK and Europe booked Forward Contracts during the five-year period, with some using a single contract and others using multiple contracts across different settlement dates.

And that creates a new set of questions:

- How do you decide which exposures to hedge?
- How much should you hedge?
- How far ahead?
- What happens when your forecast changes?
- And how do you make those decisions consistently rather than starting again with every transaction?

That's what Plan is about.

You've already built visibility over the exposure. Now you need a framework for deciding what to do with it.

1. Should you hedge?

Once a future currency exposure is visible, it can be tempting to jump straight to the mechanics.

But first, you need to understand whether the exposure creates a problem the business actually wants to manage.

Start with the exposure itself.

Look at the currencies coming into and leaving the business, when those cash flows are expected and whether some of them naturally offset each other. Then consider what an exchange-rate movement could mean for your budget, cash flow, pricing or planned margins.

The objective matters too. A business might be looking for greater visibility over future supplier costs, less variation against its budget assumptions or more predictable cash flows.

Different businesses can reasonably arrive at different answers because their exposures and objectives are different.

And sometimes the answer may be not to hedge.

That's why we've created a framework to help you work through the decision.

2. How much should you hedge?



Tom Vooght, Head of Sales

"Teams tend to think that they have to hedge all of their exposure."

Deciding to hedge doesn't necessarily mean hedging 100% of an exposure.

A business can choose to hedge a proportion of the amount it expects to pay or receive.

Hedge Ratio

The percentage of an identified currency exposure that a business has chosen to hedge.

> Example
>
> If a business has £1 million of expected currency exposure and £700,000 is hedged, its hedge ratio is 70%. The remaining 30% is unhedged.

The calculation is straightforward, but choosing the percentage requires more judgement.

There isn't one hedge ratio that works for every business. The amount you choose to hedge can depend on factors including the reliability of the underlying forecast, when the exposure is expected, your commercial objectives and how much flexibility you need if circumstances change.

A confirmed supplier payment due next month may carry greater certainty than forecast sales nine months from now. That difference can influence how much of each exposure a business is comfortable committing to in advance.



Toby Osborne, CFO

"Narrowing it down to say you must be 83% hedged six months out is a recipe for failure because you can't be that accurate."

Some businesses therefore use ranges rather than a single fixed percentage, allowing the hedge ratio to change as the reliability of the underlying forecast changes.

A hedge ratio gives you a parameter for how much exposure you intend to manage. The next question is what happens when the information behind that parameter changes.

3. Plan for the forecast to change

A plan built around forecast exposure also needs to account for the possibility that the forecast will change.

If the expected exposure falls while the amount hedged stays the same, your hedge ratio increases. If the exposure grows, the proportion covered by the existing hedge falls.

That's why a plan should establish when the exposure will be reviewed and what kinds of changes should trigger another look at the hedging decision.

What happens if a review is required?

A review might be triggered by a material change in the forecast, a new contract, a change in payment timing or another event the business has agreed is significant enough to reassess.

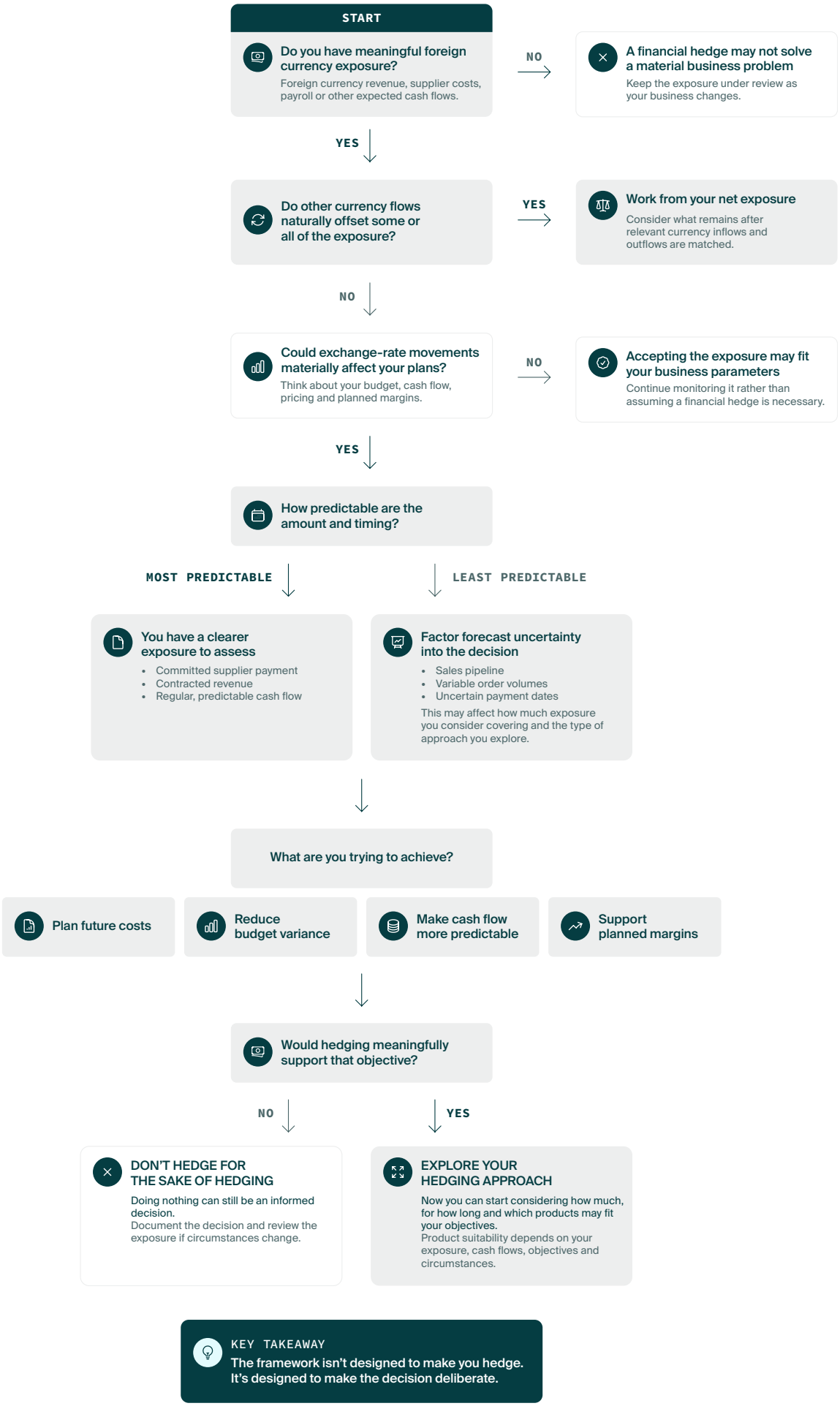
Regular reviews can also be built into the process so the business periodically checks whether the assumptions behind its hedging approach still reflect what's actually happening. As Toby puts it:

"A hedging programme isn't a one-off – it needs maintenance as the business changes."

- Toby Osborne

The aim is to respond to changes in the underlying business rather than continually rebuilding the plan around short-term exchange-rate movements.

An FX hedging framework for working through the decision



4. Put it in writing

By this point, you've made several decisions.

You know:

- Which exposures you're considering
- What you're trying to achieve
- How much you may hedge
- How far ahead you can reasonably plan
- What would cause those decisions to be reviewed

Writing those decisions down gives the finance team a consistent framework to work within.

FX Hedging Policy

A documented framework setting out how a business identifies, assesses and manages its currency exposure, including who can make decisions and the parameters they work within.

An FX hedging policy can cover:

The objective of the programme, exposures in scope, hedge ratios or permitted ranges, hedging horizons, approved products, responsibilities, reporting, exceptions and review points.

It doesn't necessarily need to become a lengthy treasury document. For a growing business, a one-page policy can provide a practical starting point.



Toby Osborne, CFO

"The great tragedy of hedging is that, with hindsight, it is always possible to see a better rate that could have been achieved."

Once those decisions begin repeating, currency management starts to become part of a wider finance process.

Some businesses may also begin spreading hedging decisions across different dates, adjusting hedge ratios as forecast confidence changes or using different products for different types of exposure.

FX hedging can develop from individual transactions into a more structured approach as the business and its requirements evolve.

One-page FX hedging policy template

A practical template for documenting your business's FX hedging approach.

01

Objective

Our FX hedging policy exists to:
[Describe the business outcome you're trying to achieve.]

02

Scope

Currencies covered:
[List currencies/currency pairs.]

Exposure types covered:
[For example, confirmed supplier payments, customer receipts and qualifying forecast exposures.]

Excluded exposures:
[List anything deliberately outside the policy.]

03

Hedging parameters

Hedge ratio:
[Set the percentage or permitted range by exposure type and/or forecast horizon.]

Maximum hedging horizon:
[Set how far ahead transactions can be hedged.]

Minimum exposure threshold:
[Set any threshold below which exposures are managed differently, if applicable.]

04

Permitted instruments

The following FX products may be used within agreed parameters:
[List approved products.]

Any instrument outside this list requires:
[State additional approval process.]

05

Responsibilities

Policy owner:
[Name/role.]

Exposure forecasting:
[Name/role.]

Transaction execution:
[Name/role.]

Approval:
[Name/role and thresholds.]

Reporting:
[Name/role.]

06

Monitoring

The finance team will monitor:
[List your chosen measures, such as open exposure, hedge ratio, forecast accuracy and FX variance to budget.]

Reporting will take place:
[Monthly/quarterly/other.]

07

Exceptions

Transactions outside normal policy parameters require:
[State approval and documentation process.]

08

Review

This policy will be formally reviewed:
[Set frequency.]

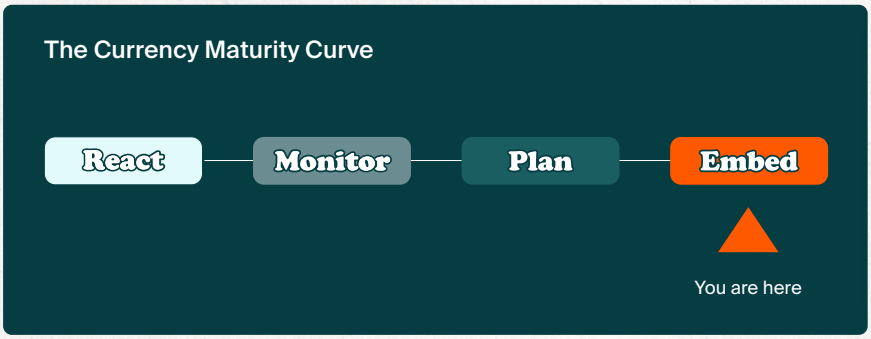
An additional review may be triggered by:
[List material business changes.]

Policy approved by:
[Name/governance body.]

Approval date:
[Date.]

Next review:
[Date.]

Part 04
Making currency part of the process



Where businesses sit

15.8% UK
18.9% EU

Of active Alt21 clients showed Embed behaviour during the five-year period analysed.

When planning becomes a process

Our data shows 15.8% of active Alt21 clients in the UK and 18.9% in Europe at Embed, the final stage of the Currency Maturity Curve. It is not a target, and many businesses will reasonably choose not to hedge.

For this report, Embed captures FX activity involving FX Options, rolled or layered Forward Contracts, or Forward Contract activity across multiple currency pairs during the five-year period analysed.

While these behaviours meet our criteria for Embed, they don't necessarily tell us how a business manages currency internally, whether it has a formal hedging policy or how frequently it reviews its exposure.

At Plan, we looked at how a business can create a framework for making currency decisions. Embed explores how those decisions can become part of the wider finance process.

Exchange rates can sit behind budgets and forecasts, influencing pricing and margin assumptions.

Currency exposure can be reviewed alongside the cash flows that created it, rather than waiting until an international payment is due.

The individual FX transaction becomes one part of a much wider financial picture.

1. Find the rate already hiding in your forecast

Finance teams already make assumptions about the future when they build budgets and forecasts. Expected revenue, costs and the timing of cash flows all depend on information the business has today about what it expects to happen next.

For an international business, there may be another assumption sitting underneath those numbers:

The exchange rate.

Imagine the business expects to pay €3 million to suppliers over the next 12 months. To include that cost in a sterling budget, finance needs an exchange rate to translate those future euros into pounds.

That rate might be today's market rate, an internal budget rate or another assumption the business has chosen to use.

Whatever the approach, making that assumption visible gives finance a useful reference point. You can see which parts of the forecast are based on an exchange rate that has already been established and which remain exposed to future market movements.

Rate Check

Which exchange rate is sitting underneath your budget? If the answer is "I'm not sure", that's a useful place to start.

2. Make the rate useful before the payment happens

An exchange rate can affect a business decision long before any currency changes hands.

Suppose you're preparing a customer quote that includes €200,000 of supplier costs. Somewhere in that calculation, those euros need to be translated into your home currency.

The exchange rate used can affect the expected cost of delivering the contract and, in turn, the margin sitting behind the price.

That makes the currency assumption useful to more than the person eventually making the FX transaction.

Using a consistent exchange-rate assumption can also help different parts of the business work from the same numbers.

Finance can build it into forecasts, while sales and procurement can use it when assessing customer pricing, supplier costs and expected margins.

That brings currency into the planning process earlier, when those commercial decisions are still being made.



Toby Osborne, CFO

"People think, 'I'll get a contract, and then I'll manage the FX risk later.' In my experience, it is worth considering currency risk at the same time as the contract, so that pricing reflects the rate you are assuming."

Exposure → Rate → Business Decision

Supplier cost → Planning rate → Pricing

Overseas revenue → Planning rate → Forecast

Foreign payroll → Planning rate → Cash-flow planning

3. Keep the rate connected to reality

An exchange-rate assumption reflects the information available when the forecast is built. As market conditions and the underlying business exposure change, that assumption may need to be reviewed.

That doesn't necessarily mean the original assumption or hedging decision was a bad one. It needs to be considered against what the business was trying to achieve when the decision was made.



Toby Osborne, CFO

"Take a UK exporter that sold US dollars forward at 1.35 against sterling. The market later moves to 1.30, which would have been a better rate. The exporter has not lost money, because it received the rate it budgeted for. It simply hasn't benefited from the later move, which nobody could have predicted at the time."

Illustrative example only.

For an embedded approach, that distinction is useful. It gives finance a reference point for assessing the outcome against the original budget or objective, rather than judging the decision entirely with hindsight.

The process also needs a way to distinguish between rates that have already been established for future transactions and rates that are still assumptions.

For the remaining exposure, finance can continue to show which exchange-rate assumption is being used and review it alongside changes in the underlying cash flow.

That gives the business a clearer view of what is known, what is still estimated and where currency movements can still affect the financial plan.

4. Turn individual decisions into a cycle

Currency requirements rarely arrive once a year in one perfectly predictable amount.

The picture develops over time as forecasts become clearer, exposures change and expected payments move closer.

An established approach can therefore operate as a cycle:

Forecast → Identify Exposure → Apply Agreed Parameters → Act → Review → Update Forecast → Repeat

How a business applies that cycle will depend on the nature of its exposure, how predictable its cash flows are and the parameters it has established for managing currency risk.

Building hedge cover over time

For businesses with recurring currency requirements, rolling hedging is one approach to maintaining cover over time. As existing hedges mature, the business can review its future requirements and consider whether to put new contracts in place.

Another approach is layered hedging, where a business spreads its hedging decisions across different dates rather than committing to its entire forecast exposure at once.

For example, a business expecting regular euro supplier payments over the next 12 months might choose to hedge a portion of those payments initially, then review the remaining exposure as forecasts become clearer.

Both approaches require ongoing attention. Forward Contracts create binding obligations, and if the underlying exposure changes, a business may find itself committed to buying or selling more currency than it needs. Amending or closing a contract before expiry may not be possible and, where it is, may result in a cost or financial loss.

Matching hedging decisions to forecast confidence

A business might have a confirmed supplier invoice due next month, alongside an estimated purchase nine months away. It'll likely have more confidence in the amount and timing of the first payment, which may influence how much of each exposure it chooses to hedge.

This is sometimes called forecast-weighted hedging.

"You hedge to the confidence of your exposure."

- Toby Osborne

As forecasts develop, finance can compare existing hedge positions with updated currency requirements and consider whether further action is appropriate.

If expected purchases fall, for example, the business could find itself hedged for more currency than it ultimately needs. If requirements increase, it may have additional exposure to consider.

Regular reviews help keep those differences visible rather than leaving them to be discovered when a payment falls due.

Looking at the overall exposure

Before considering additional hedging transactions, businesses can also look at whether currency receipts and payments offset one another.

For example, a company receiving euros from customers and paying euro-denominated suppliers may be able to use some of those receipts to meet its supplier obligations.

This is known as natural hedging. It can reduce the amount of currency that needs to be exchanged or externally hedged, although differences in timing and value can leave some exposure remaining.

Looking at the net exposure alongside existing hedge positions gives finance a clearer picture of what still needs to be considered.

5. What an established FX process looks like

An established FX process starts with knowing what currency exposure the business has, understanding the decisions that need to be made and agreeing who is responsible for making them.

In practice, that means bringing currency management into the business's existing financial planning and reporting routines, with clear responsibilities for maintaining forecasts, approving transactions and reviewing hedging positions.

It also means considering which products, if any, are appropriate for different exposures.

A business with relatively predictable supplier payments might consider Forward Contracts to establish an exchange rate for future transactions. Where the timing or amount of an exposure is less certain, it might explore FX Options, which offer different rights, obligations and costs.

Using more than one product isn't necessarily a sign of a better approach. What matters is understanding how each product works, the risks and commitments involved, and whether it fits the exposure the business is managing.

Giving the process some structure

The FX policy we introduced in Part 03 can provide the foundation for this process, setting out responsibilities, decision-making authority and review requirements.

For example, a business might establish who is responsible for maintaining currency forecasts, who can approve hedging transactions and how often existing positions should be reviewed.

Those reviews can consider whether the underlying exposure has changed, whether existing hedges still match expected cash flows and whether the assumptions used in budgets and forecasts remain relevant.

The process also needs room for exceptions. A delayed supplier payment, a cancelled order or an unexpected change in revenue could all require finance to reassess an earlier decision.

Having agreed responsibilities and review points helps ensure those changes are considered as part of normal financial management.

Keeping the approach relevant

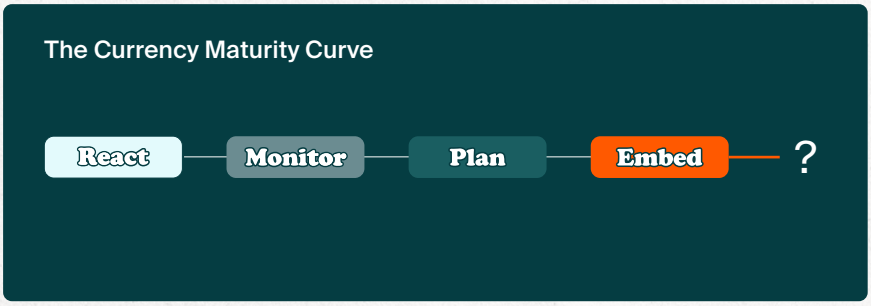
An FX process should reflect how the business operates today, while allowing for changes in its requirements.

A company managing payments to one overseas supplier may have relatively straightforward currency needs. As it expands into new markets, adds currencies or takes on longer-term commitments, the exposures it needs to consider may change.

As those requirements evolve, finance may need to revisit its hedging parameters, product choices and internal responsibilities.

Keeping those decisions connected to the wider financial plan allows the business to review its currency exposure as part of its normal planning and reporting processes.

Part 05
Beyond the Curve



About

Sections 1, 2, 3 and 5 describe possible future developments and do not describe current Alt21 services. Section 4 describes a current Alt21 product, available to eligible businesses subject to credit assessment.

What happens next?

The Alt21 Currency Maturity Curve gives us a picture of how businesses approach FX hedging today.

The largest group in our data currently sits at React, representing 67.7% of UK businesses and 65.0% of European businesses.

Over time, we hope more businesses will have the knowledge and visibility to decide for themselves whether hedging is right for them.

But the way businesses move through that process may change too.

Technology is changing how finance teams access information, identify exposures and execute transactions.

New approaches to product design could address some of the practical considerations that influence hedging decisions.

And developments in AI and embedded finance could bring currency management closer to the systems and business activity creating the exposure in the first place.

1. What if hedging started where the exposure starts?

Currency exposure often begins with ordinary business activity.

A contract is agreed in another currency, an invoice is raised or a future overseas cost becomes known. Finance may then need to identify the resulting exposure, bring it into a forecast and decide what, if anything, to do about it.

Embedded hedging creates the possibility of bringing those moments closer together.

Embedded Hedging

Embedded hedging connects currency management directly to the business activity creating a future exposure, allowing predetermined rules to be applied when qualifying exposures arise.

Imagine a business raises a €100,000 invoice with payment expected in 90 days. At that point, the currency, amount and expected payment date are already known.

If the business has established rules for managing that type of exposure, technology could recognise it at source and apply those rules without finance having to identify and move the exposure into a separate FX process later.



Pritesh Ruparel, Group CEO

"That's just an automated workflow. Embedded will literally be at the point the transaction happens."

This is where embedded hedging will differ from simply automating execution. Automated hedging begins with an exposure finance has already identified. Embedded hedging will connect the process to the activity creating that exposure.

The decision still comes first

Finance still establishes which exposures qualify, how much it wants to hedge, how far ahead the approach should operate, which costs and commitments it is prepared to accept and how much human oversight it wants to retain.

"It's executing systematically based on the rules you've set. It's not making the decisions for you. You're telling it what to do."

- Pritesh Ruparel

Once those parameters have been established, some of the repeated operational work can happen systematically. Execution could be automatic, or the system could recognise an exposure and ask someone to approve the transaction.

Prit describes the longer-term aim simply:

"It should become an invisible process."

Here, "invisible" describes the operational work receding into the background. Finance still needs visibility over the transaction, pricing, obligations and rules being applied.

2. What if the system started with your question?

If embedded hedging could change where currency management happens, AI could change how finance interacts with the information behind it.

The obvious question is whether AI will eventually become good enough to tell businesses when to hedge.

Prit thinks there's a more useful application.



Pritesh Ruparel, Group CEO

"People say, 'Do you think now is a good time to buy or sell FX?' I always go, well, it's a coin flip. I don't know that. What I can tell you is that the data says XYZ."

AI can process large amounts of information quickly, but that doesn't make future exchange rates certain. Its potential lies in helping finance bring relevant information together and interrogate it more easily.

Instead of giving a yes-or-no answer to "Is now a good time to hedge?", a system could help finance examine the information behind the question.

"It's giving all that intelligence that people don't have, which is the intelligence of the market and then the intelligence of their own data."

- Pritesh Ruparel

From interface to conversation

Most financial software requires users to learn how the system organises information. AI creates the possibility of starting with the question instead:

What exposure do I have next quarter?

How has my forecast changed since last month?

What am I already hedged for?

What does this term mean?

The system could then identify the relevant information and help finance make sense of it.

Knowledge access, that's the best use case for AI, I think. A lot of it is freely available. Just ask questions.

- Pritesh Ruparel

3. Where does the decision sit?

As technology takes on more of the work surrounding currency management, the boundary between information, decision and execution becomes increasingly important.

A system identifying £500,000 of unhedged exposure is providing information. A system instructing a business to hedge £400,000 today using a particular product is taking a very different role.

For Prit, the distinction is clear.

"Our role will remain first.
The role of AI will remain second."

Technology can surface information and make it easier to interrogate. The business decides what it wants to do.

Once finance establishes its approach and defines the parameters it wants followed, some execution can then happen within those boundaries.

"The decision needs to be human. If you're talking about execution timing, that could be automated within parameters."

- Pritesh Ruparel

Or, more simply:

'We'll make the decision. AI will manage the execution.' could be read as Alt21 making the decision for the client. Please change it to 'You'll make the decision. AI will manage the execution.'

4. What if the timing of the cost could change?

Technology isn't the only area where currency management can evolve. Product design can change too.

As we saw in Part 01, an FX Option typically requires a premium that is not refundable. Paying that premium upfront can create a cash-flow consideration for the business.

Alt21's Hedge Now, Pay Later approach separates the timing of the hedge from the timing of the premium payment.

For eligible businesses, the premium can be funded and repaid over an agreed period rather than paid entirely upfront.

Hedge Now, Pay Later

Hedge Now, Pay Later is available to eligible clients subject to credit assessment. You pay the full premium plus a funding cost. Missing a repayment may have consequences such as fees, interest or closure of the position. Repayments are due whether or not the option is exercised.

This changes the timing of the cash flow, rather than removing the cost. The business remains liable for the full premium and pays an additional funding cost.

Those repayments remain due regardless of how the market moves, whether the Option is exercised or whether the underlying exposure changes.

The useful comparison for finance is therefore between paying the premium upfront and paying to keep that cash available elsewhere in the business.

For one business, paying upfront may fit its objectives and cash position. Another may decide the additional funding cost is worthwhile. Making the premium and funding cost visible separately gives finance the information to make that comparison.

5. Does hedging still need a phone call?

FX has traditionally put people in the middle of many routine interactions.

Finance might contact someone to retrieve information, understand an exposure, request a price or execute a transaction.

As data becomes easier to access and routine execution becomes more systematic, Prit expects the role of human expertise to change.

The future he describes gives finance greater ability to self-serve the routine parts of currency management, with specialist expertise available when the situation genuinely requires it.

That could make human interaction more valuable because it's being used for expertise and judgement rather than simply operating the process.

> "The human interaction that remains could become more valuable precisely because there's less of it."
>
> - Pritesh Ruparel



The Curve doesn't end here

The Curve describes how businesses approach currency management today. The technology, products and processes surrounding those decisions will continue to develop.

React begins with understanding the tools.

Monitor builds visibility over what's coming.

Plan turns that information into an approach.

Embed makes that approach repeatable.

Embedded hedging could bring currency management closer to the business activity creating an exposure. AI could make relevant information easier to access and interrogate. Execution could become more systematic within parameters established by finance teams. Product innovation could give businesses different ways to balance the practical considerations involved in hedging.

Prit expects that to change how finance teams spend their time:

> "If you go forward five years, what finance teams – or any team – spend their time doing is going to look massively different."

As understanding, visibility and access improve, some businesses may decide a different approach is appropriate for them. Others may decide their existing approach remains right for their circumstances.

Either way, the direction of travel is towards giving finance teams better information and greater visibility, which may help finance teams make their own decisions about future currency requirements.

The future of hedging may ultimately be less about adding complexity and more about making currency management easier to understand, access and apply.



The Finer Details

Appendix A

Methodology

How we built the Alt21 Currency Maturity Curve

The Alt21 Currency Maturity Curve was developed by Alt21 to explore observable differences in how businesses approach FX hedging.

For this report, we analysed recorded FX activity among Alt21 company clients in the UK and Europe who opened an account and traded with us at least once over the last five-year period ending October 2026

The analysis included active company clients only. Individual accounts, former clients and activity outside the geographic groups used for the report were excluded.

For reporting purposes, Europe includes EU member states and Switzerland.

The Curve groups observed behaviour into four reader-facing stages:

React Monitor Plan Embed

These classifications are based on recorded activity rather than an assessment of each business's internal treasury processes.

They provide a framework for examining different approaches to currency management. The stages are not intended to rank businesses, measure the quality of their decisions or suggest that every business should progress towards more extensive hedging.

Stage	Observed behaviour	UK	Europe
React	No Forward Contract or FX Option booked during the five-year period, and no hedging quote recorded in the available quote data from 15 January to October 2026.	67.7%	65.0%
Monitor	At least one Forward Contract or FX Option quote recorded from 15 January to October 2026, but no Forward Contract or FX Option booked during the five-year period.	4.0%	4.9%
Plan	One or more Forward Contracts booked during the five-year period, without activity meeting the Embed criteria.	12.4%	11.2%
Embed	At least one FX Option booked, rolled or layered Forward Contract activity, or sustained Forward Contract activity across multiple currency pairs during the five-year period.	15.8%	18.9%

How the stages were defined

For the report, Plan combines two behaviours identified in the underlying analysis: businesses that booked a single Forward Contract and businesses that booked multiple Forward Contracts without meeting the Embed criteria.

These represented 6.3% and 6.1% of the UK group respectively, and 4.9% and 6.3% of the European group.

A business could meet the Embed criteria through a single FX Option transaction. Classification at Embed therefore does not necessarily indicate sustained hedging activity, a formal FX policy or an established internal treasury process.

Percentages have been rounded to one decimal place and may not total exactly 100%.

The analysis used two types of recorded activity, with different periods of data availability.

Hedging trades

Forward Contract and FX Option trading activity was assessed over the five-year period ending in October 2026.

Cancelled and rejected trades were excluded. FX swaps were also excluded from the analysis.

Forwards that had been rolled were considered when identifying activity meeting the Embed criteria.

Hedging quotes

Quote records were available from 15 January 2026 onwards. The quote-based classifications therefore reflect activity recorded between that date and October 2026, rather than the full five-year period.

Only quotes relating to Forward Contracts and FX Options were considered. Spot FX quotes were excluded because the Curve focuses on hedging behaviour.

Each quote was counted using its final recorded status rather than treating individual price refreshes as separate requests. Quotes generated internally by Alt21 staff, rather than requested by the business, were excluded.

Assigning businesses to a stage

Each business was assigned to one stage based on its recorded activity.

Where a business had both hedging quotes and qualifying trading activity, its classification was determined by the trades recorded rather than the quote activity.

Businesses with no recorded hedging trades were divided between React and Monitor according to whether a qualifying hedging quote appeared in the available records.

Because quote records were only available from 15 January 2026, a business that requested a quote before that date but did not book a hedging trade during the five-year period would be classified as React.

The React and Monitor figures should therefore be understood in the context of this shorter quote-data window. They cannot establish whether a business had explored hedging before January 2026.

What the Curve can and can't tell us

The Alt21 Currency Maturity Curve is based on observable activity recorded by Alt21. It does not assess a business's internal governance, treasury expertise, documented FX policy or the quality of its currency management decisions.

For example, a business may have a formal FX policy but hedge infrequently, meaning that its internal approach may be more established than its recorded trading activity suggests.

Conversely, a business may meet the Embed criteria through a single FX Option transaction without having a formal hedging policy or wider treasury framework in place.

The Curve should therefore be read as a framework for understanding the behaviours visible in the data, rather than a measure of overall treasury sophistication.

The analysis also reflects a defined group of active Alt21 company clients. It should not be interpreted as representative of all UK or European businesses.

Because the analysis looks retrospectively at businesses that opened an account and traded at least once in the five-year period, it does not capture the full historical Alt21 client population. It also cannot establish how individual businesses moved between stages over the five-year period.

Finally, the Curve does not tell us why businesses behave differently.

The analysis shows that React was the most common classification in both groups, while Embed represented a somewhat larger share of the European group than the UK group.

The data alone cannot establish what drives those differences, whether particular approaches are appropriate for individual businesses or how their currency management may develop in future.

Appendix B

About Alt21

Alt21 is a multi-currency platform for SME and mid-market businesses. Finance teams move money across currencies, plan the rate on future payments and receipts, and execute directly through the platform, with the rate and any fees shown before they commit and FX specialists available when they want them. Founded in 2017, Alt21 is authorised by the Financial Conduct Authority in the UK.

Full disclaimer

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Forward Contracts and FX Options carry financial risk, including the possibility of loss, and are not suitable for every business. A Forward Contract creates a binding obligation to exchange currency at the agreed rate, so the business will not benefit if the market moves in its favour and may remain committed to more currency than it needs if the underlying exposure changes.

Depending on the provider, credit arrangements and market movements, margin or collateral may be required while a Forward Contract remains open, which may affect available cash. An FX Option requires a premium, which is payable whether or not the option is exercised and is not refundable. Amending, rolling or closing out a contract before expiry may not be possible and, where it is, may result in a cost or financial loss. Foreign exchange rates can move both favourably and unfavourably. Nothing in this report is a forecast or prediction of future exchange rates, and forward points and forward rates are pricing calculations rather than indications of market direction.

Examples, scenarios, exchange rates and calculations in this report are illustrative only, are not current or indicative market rates or prices, and should not be relied upon as an indication of actual or future outcomes.

Descriptions of products, pricing, margin, collateral and funding are general and simplified. The terms, costs and requirements that apply to any Alt21 product will be set out in the relevant agreement and may differ from those described, as may those of other providers.

Eligibility criteria and terms and conditions apply to all Alt21 products and services, and not all applications will be accepted. Hedge Now, Pay Later is available only to eligible businesses and is subject to credit assessment and approval. The business remains liable for the full premium plus an additional funding cost, and repayments remain due regardless of market movements, whether the option is exercised or whether the underlying exposure changes. Product availability may vary by country, and Alt21 may change or withdraw products or features.

Tom Vooght, Chris Canning, Toby Osborne and Pritesh Ruparel are employees of Alt21. Their comments reflect their professional experience and personal perspectives, including their experience of working with Alt21 clients where relevant, and are not recommendations, forecasts or advice to any reader. References to products, services and approaches reflect Alt21's own offering and perspective and should not be interpreted as independent market commentary.

References to embedded hedging, automation, AI and other potential developments in currency management reflect views about how the market may develop. They are not a description of, or commitment to provide, any current or future Alt21 product, service or functionality, and no assurance is given that any such development will occur. Decisions about whether, when and how to hedge remain the business's own.

The findings in this report are based on recorded FX activity among Alt21 clients who opened an account and traded with us at least once over the last five-year period ending October 2026. Hedging quote records are available only from 15 January 2026, so the React and Monitor classifications reflect a shorter period than the trading data.

The Alt21 Currency Maturity Curve is a behavioural framework developed by Alt21 to classify observable activity. It does not assess the quality or sophistication of a business's wider treasury or currency management approach, and it cannot explain why businesses behave as they do. A business may also be classified at Embed on the basis of a single FX Option. Percentages are rounded and may not total 100%. The findings are drawn from Alt21's internal records, have not been independently verified and should not be interpreted as representative of all UK or European businesses.

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