

Unit of Competency**Functional Area: Operations Management**

Title	Formulate strategies for currency risk
Code	105332L5
Range	This unit of competency is applicable to practitioners in the import and export industry to formulate strategies for managing currency risk. It also involves the tasks of measuring risk exposure, evaluating and selecting risk management options, and establishing procedures to monitor exchange rate movements.
Level	5
Credit	7 (for reference only)
Competency	<p>Performance Requirement</p> <ol style="list-style-type: none"> 1. Possess knowledge of foreign exchange risk management <ul style="list-style-type: none"> • Use a range of techniques to evaluate different foreign exchange risk exposures (e.g., translation exposure, transaction exposure, and economic exposure) • Use a range of skills to establish effective reporting system to monitor risk exposure • Use a range of techniques to identify and evaluate risk management options 2.1. Identify and measure risk exposures <ul style="list-style-type: none"> • Conduct exposure assessment to estimate potential loss in foreign exchange in import and export activities • Define risk acceptance level to manage the future value of foreign currency 2.2. Evaluate risk management options <ul style="list-style-type: none"> • Identify available options to manage currency risks • Evaluate the effectiveness of these options in accordance with defined risk exposures • Select the appropriate options to manage currency risks 2.3. Establish procedures to monitor currency risk <ul style="list-style-type: none"> • Develop effective reporting systems to provide updated information on exchange rate movements • Define the authorities for reporting system • Establish procedures for reporting foreign exchange movement 2.4. Formulate risk management strategies <ul style="list-style-type: none"> • Identify the expected outcomes of using the selected options • Use risk management strategies to achieve the expected outcomes 3. Provide effective recommendation <ul style="list-style-type: none"> • Evaluate the effectiveness of risk management strategies in managing currency risks • Provide recommendations to improve the effectiveness of foreign exchange risk management strategies
Assessment Criteria	<p>The integrated outcome requirements of this unit of competency are:</p> <ul style="list-style-type: none"> • Capable of identifying the acceptance level of currency risk • Capable of evaluating and selecting risk management options • Capable of establishing a reporting system to monitor to report currency movements • Capable of formulating effective risk management strategies to manage currency risk
Remark	