

Foreign Currency Exchange

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American University of Armenia

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Objective

The University receives grants and other financial resources in foreign currency and makes the payments in local currency exposing the University to foreign currency risk. Foreign currency fluctuations can positively or negatively impact the University's finances. The primary objective of managing foreign exchange risk is to mitigate the University's exposure to transactions denominated in foreign currency and to comply with all relevant legislative and donor requirements. The purpose of this policy is to minimize exposure to foreign currency exchange fluctuations.

Organizational Scope

This policy applies to all dealings in foreign exchange by the University.

Definitions

In the context of this document:

Defined Term	Meaning
Foreign Currency	Any currency other than AMD.
Foreign Currency Risk	The risk associated with movements in currency exchange rates which may impact the University's financial resources.
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 finalized.

Foreign Exchange Transaction Exposure

The primary sources of foreign exchange exposures are:

- Foreign currency income associated with research grants.
- Foreign currency income associated with student services.
- Foreign currency income associated with donations.
- Foreign currency expenditures associated with research grants.
- General payments denominated in foreign currency.

Strategies for Managing Foreign Exchange Risk

1. Unrestricted funds received in foreign currency from the American University of Armenia Corporation (AUAC) and other sources will be kept in foreign currency and will be converted to AMD on as needed basis.
2. AUAF will follow the requirement of the granting agency, in case it requires AUAF to open a project-specific foreign currency account and convert to AMD at the time of making AMD payments.
3. AUAF will keep funds received in foreign currency within signed contracts and grants and convert to AMD depending on the specific requirements of the granting agency connected with the conversion rate to be used for reports.
4. AUAF will convert foreign currency funds received within grants and projects to AMD within five banking days upon receiving funds in case there are no specific reporting requirements for currency conversion and also there are no requirements for specific conversion rates for reporting by the departments.

Managers responsible for administering projects funded in foreign currency are recommended to seek assistance from the Director of Financial services related to any aspect of implementation of this policy.