Spot Transaction

The Situation

Your firm has decided to buy goods from a supplier in France. The supplier requires immediate payment of EUR100,000 before the goods are shipped. You are required to purchase the Euros and transfer them to the beneficiary's account in France.

The Product: Spot Trade

A Spot trade is the sale or purchase of one currency against a counter currency for value in two working days time (with the main exceptions beign CAD & MXN trades which have a value date of next day). Therefore if a EUR/USD spot trade is booked on Monday 22nd April, the spot value date (excluding US holidays) will be Wednesday 24th April.

The Solution

To enter a Spot trade you must agree a currency exchange rate with the bank. In the above 'situation' an exchange rate of EUR/USD 0.8700 is agreed, where you sell USD to the bank and buy EUR to remit to your supplier. On the spot value date you will transfer USD87,000 to your bank and the bank will send EUR100,000 to the beneficiary specified in the settlement instructions you have supplied to the bank.

The Benefits and Disadvantages

Simple Product
Known Cost
Agreed Value Date

AIB