

Applying for Research Funding in a Foreign Currency

1) Executive Summary

This policy provides guidance for staff applying for research funding in a foreign currency from any Funder where exchange risk is the responsibility of the College.

The College is introducing a new mechanism; an exchange rate table to price research proposals which are in a foreign currency. The table is designed to minimise the risk of overspending as a result of fluctuations in exchange rates over the lifetime of an award.

The table stipulates the exchange rate that should be used to price proposals and adjusts the rate on the basis of the project duration. This supports the principle that there is much greater certainty over the short term. Therefore, the exchange rate for a one year award is more closely aligned to the corporate exchange rate than that for a five year award.

All awards which are priced using the exchange rate table, will receive full protection of their sterling budgets from the College.

2) Policy Scope

This policy is only intended to provide guidance for the costing of awards in foreign currency. It is not intended to replace any Research Office policies on the process for managing awarded budgets.

3) Using the Exchange Rate Table

The rates used in the table are a composite rate, designed to take into account three separate factors; the current exchange rate; the expected volatility of the foreign currency; and the forward exchange rate, which measures the effect of interest rates over the contract period.

Separate tables will be published for Euros and US Dollars. The table shows current corporate exchange rates (i.e. the rate applied to the month's foreign currency transactions in ICIS) as the y axis and the term of the award, in years, as the x axis. The tables will be revised whenever there is a major change in interest rates, or in levels of volatility. It will not normally be changed when exchange rates move up or down.

The table should be used when submitting a proposed project to a Funder: The bid should be priced using the rate stipulated in the table for the length of the project, i.e. when asking for four years of funding, the exchange rate used should be the four year rate.

Exceptionally, where it is anticipated that considerable time will elapse between the submission and award dates (or when the start date of the project is to be purposefully delayed) it is acceptable to take this into account when selecting the appropriate rate from the table i.e. the duration from submission until the projected end date of the project.

Award budgets should continue to be set up in accordance with Research Office policies.

4) Policy Exclusions

If a decision is made to price a project submission at a different rate to that listed in the table, the award will not be covered under this policy; unless permission has been sought and approved by Treasury.

However if, as a result of a Funder's rules, the PI is not able to price using the College rate then foreign currency protection will still be available, provided prior approval has been sought from Treasury.

5) Expenditure in a Foreign Currency

This policy only applies to project income. If a project has significant expenditure in foreign currency, it should contact Treasury to discuss the possibility of hedging this risk.

Gains and losses on payments denominated in the same foreign currency as the related income will be taken centrally. Where there is a sterling budget for the activity, the budget rate will be used to calculate the gain or loss. Where there is no sterling budget, the amount will be calculated on a FIFO (First in First out) basis.