Antravia Research - Beyond FX Fees: Currency Strategy for Travel Companies That Want to Scale

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1. Executive Summary

For global travel businesses, foreign exchange (FX) is not just a transaction cost - it shapes pricing, liquidity, margin, and even the integrity of supplier relationships. Yet in much of the industry, FX remains a reactive function: managed by payment processors, simplified into card fees, or deferred to treasury teams without visibility into booking data or operational cycles.

This white paper argues that FX must be redefined as a strategic discipline. The most material FX losses in travel are rarely the result of poor rates but they arise from timing mismatches, unhedged exposures, refund volatility, and the misalignment of currencies across booking, payment, and settlement. Travel companies operating across multiple markets, currencies, and lead times are particularly vulnerable.

Drawing on real-world case studies across OTAs, DMCs, hotel groups, and wholesalers, the paper demonstrates how leading businesses are moving beyond passive FX handling toward structured strategies that include booking-level exposure modelling, internal currency matching, targeted hedging programs, and multicurrency infrastructure. In one case, a travel payments platform embedded currency logic directly into its commission payout and supplier flows, eliminating unnecessary conversions. In another, a global accommodation wholesaler reduced volatility by analysing FX risk by booking, not batch.

The paper also highlights where FX risk collides with payment operations: virtual credit cards issued in one currency and charged in another; refunds executed months after booking at different exchange rates; reconciliation challenges that distort financial reporting under IFRS and US GAAP. These are not edge cases. They are systemic risks for any travel business that touches multi-currency flows.

To manage these risks, companies must treat FX like any other core function, one that requires structure, governance, and cross-functional visibility. This includes clear data on when bookings are made, when they are likely to cancel, when suppliers are paid, and how those flows map to treasury instruments and settlement currencies.

For CFOs, controllers, and founders in travel, this paper offers a call to action: stop chasing zero-fee FX solutions and start designing your financial architecture around how currency actually flows through your business. FX strategy is not just about protecting margin but about enabling scale, resilience, and trust in every transaction.

2. Introduction: FX in the Travel Supply Chain

Foreign exchange (FX) is often treated as an incidental cost in travel operations, a backend line item handled by treasury or outsourced to a payment provider. Yet for global travel companies, FX is neither incidental nor minor. It is a structural feature of the supply chain. It shapes margins, payment flows, and even product viability in ways that are often misunderstood.

This disconnect is especially visible in the gap between how FX is priced and how FX risk is actually incurred. While many travel sellers believe they are “solving” currency issues by quoting in USD or eliminating card fees, they are often overlooking the operational and financial exposure embedded in the way travel is booked, paid, modified, and cancelled across borders.

Unlike other industries, the travel sector operates in a uniquely delayed revenue cycle: bookings are typically made months in advance, services are fulfilled later, and settlement may occur on either side of that transaction. This creates not only a timing mismatch, but a currency mismatch, where revenues and costs can shift in relative value over time. As travel businesses expand internationally, enter new markets, or take on partners with different functional currencies, these mismatches become more frequent and more material.

Moreover, FX in travel is not limited to just card processing or bank transfers. Virtual credit cards, supplier payments, refunds, commissions, and reconciliations all carry their own FX risks, which are magnified by fragmented systems and weak data alignment. In some cases, a company’s lack of FX coordination can erode margin, strain cash flow, and create accounting volatility - even when revenue and booking volume appear healthy on paper.

What is often missing is a deliberate FX strategy. Rather than reacting to currency fluctuations or outsourcing risk management entirely, travel companies must begin to structure their approach to FX: mapping where currency exposure sits, deciding where risk should be held, and choosing how (or whether) to hedge, match, or localize flows.

This white paper argues that FX is no longer just a financial detail. For travel agencies, DMCs, OTAs, and hotels operating globally, currency strategy is operational strategy. The question is not simply how to minimise cost - but how to embed resilience, liquidity, and pricing intelligence into the very structure of travel transactions.

3. Mapping the FX Landscape in Travel

To understand the true impact of FX in the travel industry, it is necessary to map how currency flows through the travel supply chain. Unlike sectors with clean linear procurement and settlement processes, the travel industry is marked by fragmentation, multi-party dependencies, and long time lags between booking and service delivery. These features compound FX exposure in ways that are rarely visible until margin or cash flow problems emerge.

A. Supply Chain Complexity

Travel transactions typically span multiple entities, currencies, and jurisdictions. A single booking may involve a U.S.-based OTA, a wholesaler headquartered in Europe, a DMC in Southeast Asia, and a hotel or cruise operator in a fourth country — each with its own preferred settlement currency, banking arrangements, and accounting calendar.

Currency conversions can happen multiple times along this chain. One supplier may contract in EUR, while the OTA retails in USD and the payment is ultimately settled in THB. These touchpoints are not merely operational - they are also FX exposures, particularly when bookings are held for months before settlement.

B. B2B2C Structure and Cross-Currency Mismatch

The B2B2C nature of travel introduces added volatility. When an intermediary such as a wholesaler or OTA collects payment in one currency and remits to a supplier in another, they are inherently exposed to exchange rate movements during the holding period.

The problem is exacerbated when neither party controls the booking window. A booking paid in May for a December stay creates a seven-month FX exposure - and this exposure sits somewhere in the chain, even if no one has formally assumed it.

Without a strategy, exposure becomes accidental and opaque. Many travel companies are unaware of their true FX position until end-of-month reconciliation reveals margin erosion or accounting volatility.

C. Real FX Exposure vs Accounting Exposure

A critical distinction must be made between real economic exposure and accounting exposure. Travel companies often confuse unrealised FX gains and losses reported in their P&L with actual cash impact. Yet much of what appears as FX loss may simply be timing-related - a result of the way accruals or revaluations are handled in accounting systems.

True FX risk arises when there is a mismatch between cash in and cash out across currencies. If a travel seller collects USD from the consumer and must pay a hotel in EUR three months later, the business is exposed to any USD/EUR movement over that period. This is not a reporting issue but a real impact on margin.

Accounting teams must work closely with treasury and operations to distinguish between notional exposures and real ones. Otherwise, mitigation strategies may be misapplied, or risk left unmanaged.

D. Payment Lag and Currency Volatility

The final piece in the FX landscape is time. Time lags between booking, payment, and service fulfillment introduce significant currency risk and particularly in volatile markets. A 5% swing in USD/JPY over 90 days is not uncommon, and such moves can turn a profitable booking into a net loss.

This is especially relevant when the customer's payment currency is fixed at booking, but the supplier's invoice is received much later. In such cases, the FX risk is not simply a transaction cost, it is an unpriced financial liability held within the business model.

In periods of high volatility, or when operating across frontier currencies, the impact of even short-term FX swings can be material. Without clear data on booking dates, check-in dates, payment release dates, and bank processing timelines, many travel companies are effectively blind to this risk.

4. Misconceptions Around FX Fees

For many travel businesses, foreign exchange is treated as a line item to be minimized and typically framed in terms of "FX fees" or card conversion costs. This narrow view distorts how currency exposure is understood and managed. In practice, some of the greatest FX losses in travel have nothing to do with explicit fees, and everything to do with structure, timing, and unmanaged risk.

A. The Myth of "Zero-Fee" FX

Some payment providers advertise "zero-fee FX" or "no conversion fees" as a selling point. While this may reduce visible cost at the point of transaction, it does not eliminate currency risk. In fact, it often masks it. These models typically include FX spreads embedded in the exchange rate, or they shift the risk elsewhere in the supply chain.

For example, an OTA may use a zero-fee virtual card issued in USD to pay a supplier in Europe who invoices in EUR. If the supplier does not immediately convert the funds, or if the booking is cancelled and refunded at a different exchange rate, the cost may be absorbed by the supplier thus leading to a breakdown in commercial terms or a future pricing adjustment.

B. Spread, Timing, and Real Exposure

Focusing only on the FX markup or quoted rate misses a more material source of risk: timing. In travel, the time between collection and disbursement is often measured in weeks or months. This makes even a small currency movement significant.

Consider the following example:

- A travel agent collects $10,000 from a U.S. client in May
- The hotel is invoiced in EUR for a December stay
- Between May and December, the USD weakens 4% against the EUR
- When payment is made, the agent receives fewer EUR than expected, reducing margin

This FX impact is not a "fee" - it is a pricing failure. The business priced the product based on one set of assumptions and settled it under another. The real cost was incurred not at the point of transaction, but at the point of risk exposure.

C. Spread, Timing, and Real Exposure

Another frequent oversight is the misalignment between contracted and settlement currencies. A hotel may agree to receive USD, but the OTA or wholesaler pays via a card issued in EUR, triggering conversion. Alternatively, an airline may publish fares in local currency but expect remittance in a global currency like USD.

Each of these mismatches introduces an FX leg that may go unmonitored. Over time, even marginal misalignments can distort reconciliation processes and create friction with suppliers.

Moreover, in a refund scenario, the direction of FX reverses. A customer refund processed in a different month, or under a different exchange rate, may result in over-refunds, accounting losses, or disputes with merchant banks. This is especially common in high-value, long-lead bookings such as luxury hotels or cruises.

D. The Hidden Risk in High-Cancellation Segments

Segments with high cancellation rates are particularly exposed. Many travel platforms collect prepayments and disburse them only after stay completion. In the interim, they hold large FX balances - and in volatile markets, these can materially impact financial performance.

Case data from international OTAs shows that refund-related FX losses can exceed 20 basis points of total transaction value when not properly managed. In markets with extreme currency volatility (e.g., Argentina, Turkey), the spread between booking FX and refund FX can exceed 5% which enough to eliminate net profit.

Travel companies often underestimate the compound effect of refund timing, booking volume, and FX volatility. These are not speculative risks as they are structural liabilities built into the commercial model.

5. Structural FX Strategy Models

While many travel companies focus on reducing explicit FX costs, the more sophisticated approach is structural: designing the business model, treasury flows, and system architecture to manage exposure proactively. This requires an understanding of not just how currency moves through the supply chain, but where risk sits, who should hold it, and what financial or operational tools can be used to mitigate it.

A. Holding Multicurrency Balances

One of the simplest forms of risk reduction is to hold balances in the same currency as the liability. For instance, if a wholesaler receives significant inbound bookings in GBP but must pay suppliers in EUR, opening local GBP and EUR accounts reduces the need to convert funds multiple times.

However, this model depends on sufficient scale and liquidity, and it introduces its own complexities: managing reconciliation across currencies, monitoring idle balances, and ensuring regulatory compliance in each jurisdiction.

Moreover, multicurrency accounts do not address timing mismatches. If funds are received in June for a December service, the currency risk still exists - it is simply deferred until the point of conversion.

B. Hedging with Forward Contracts and Options

For larger travel businesses with predictable FX flows, financial hedging instruments such as forwards and options offer more precision.

Forward contracts lock in an exchange rate for a future date, providing certainty over cost or revenue.

Options offer the right, but not the obligation, to exchange currency at a pre-agreed rate which is especially useful in uncertain booking environments.

During a prior role at a leading APAC OTA, we evaluated FX options as a tool for managing high-volume, high-variance flows between USD, EUR, THB, and JPY. While options provided useful flexibility, their cost and complexity required careful alignment with booking data. Options can be misapplied if not tied directly to forecasted exposures, and their value deteriorates rapidly in volatile or low-margin segments.

The key challenge was not instrument selection, but data readiness: incomplete visibility over when bookings would convert to confirmed stays, when payments would be released, and when funds would be received made it difficult to hedge effectively. This reinforced a critical insight: That FX strategy is only as good as the data behind it.

C. Netting and Internal Matching of Opposing Flows

A powerful but underutilized approach in travel is internal matching: using natural currency flows in opposite directions to reduce gross exposure. For example, if a company has outbound USD-to-EUR bookings and inbound EUR-to-USD bookings occurring over similar timeframes, these can be netted, reducing the need to hedge externally.

In a global bedbank implementation, a booking-level FX system was introduced that analyzed flows by currency, value, and expected cancellation probability. This allowed treasury teams to isolate predictable exposures and identify opportunities for natural hedging thus reducing both risk and transaction costs.

Such systems rely on high-quality data: cancellation rates, booking lead times, and timing of check-in versus payment. When modeled correctly, even a partial netting strategy can reduce FX conversion volumes by 10–30%, with corresponding gains in margin and operational efficiency.

D. Local Currency Pricing vs USD Standardization

Another strategic decision point is pricing currency: whether to offer local-currency pricing to customers or standardize in a global currency like USD.

Local currency pricing improves conversion rates in retail environments and may reduce chargebacks. However, it increases exposure by fragmenting the FX portfolio. USD standardization simplifies reconciliation but often shifts FX risk to suppliers or intermediaries thus potentially eroding relationships or forcing renegotiations.

There is no universal answer. The optimal structure depends on where the business wants to hold risk, how fast payments are settled, and what FX capacity exists within the treasury function.

6. Case Examples: FX Strategy in Practice

While theoretical models provide a framework, the application of FX strategy in travel businesses is shaped by operational constraints, system limitations, and commercial realities. The following case studies illustrate how different entities - across travel tech, wholesale, and hospitality - have approached FX exposure, with varying levels of sophistication and success.

A. Case Study 1: A Travel Payments Platform Reengineering FX Exposure

A U.S.-based travel payments platform working with OTAs and suppliers globally faced a dual challenge: outbound commission payments to travel advisors in over 100 countries, and inbound collections from travel sellers transacting in multiple currencies. Despite operating on a USD-denominated ledger, the business increasingly needed to support local currency flows to maintain competitiveness.

Rather than treating FX as a backend treasury issue, the company built an integrated architecture that mapped currency exposure across both supply and payout sides. This allowed for structured multi-currency issuance, automated currency matching logic, and direct reconciliation via embedded payment rails. In select markets, the company opted to hold balances in local currency and pay out advisors via bank transfer, circumventing traditional FX markups on card rails entirely.

A strategic FX layer was also built around commissions: using real-time data on expected payment dates, system-triggered hedging decisions could be made. For larger payees and predictable flows, forward contracts were employed. Where timing was uncertain or episodic, spot conversions were executed via a multi-bank FX platform, reducing spread costs.

This approach required treasury, product, and data teams to collaborate closely and aligning payment architecture with actual FX risk. The outcome was not just lower costs, but greater control over margin variance and settlement timing across currencies.

B. Case Study 2: A Global Accommodation Wholesaler Optimizing Net Exposure

A global accommodation wholesaler handling large booking volumes across dozens of source and destination markets was facing structural FX exposure. While bookings were received in multiple currencies, most supplier contracts were fixed in EUR or USD thus creating currency mismatches that were compounded by booking lead times and variable cancellation rates.

Historically, the company relied on centralized treasury conversions to manage currency risk, processing batch FX trades at regular intervals. However, this approach obscured underlying exposure patterns and often led to reactive hedging, particularly in volatile currency pairs.

To address this, a booking-level FX analysis model was introduced. Each booking was assessed on its currency of sale, expected cancellation likelihood, check-in date, and the currency and timing of supplier payment. This enabled the treasury team to isolate bookings that were likely to cancel and avoid hedging them prematurely - a common cause of unnecessary FX trades.

A further innovation was the internal netting of currency flows. Opposing exposures - for instance, a GBP booking sold to a U.S. customer and a U.S. booking settled with a UK hotel - were matched internally wherever possible. This reduced the need for external conversions and preserved liquidity within core operating currencies.

The new system provided treasury, finance, and operations with shared visibility on exposure timing and hedging triggers. As a result, FX trades were no longer executed purely on a schedule but aligned with actual exposure profiles. This shift from volume-based FX execution to exposure-based matching allowed the business to minimize unnecessary trades and improve margin predictability: Not through market timing, but through structural alignment.

C. Case Study 3: A Luxury Hotel Operator Managing USD Exposure in the Caribbean

A Caribbean-based luxury hotel group, targeting affluent U.S. guests, priced its product in USD but paid most operational costs in local currency and EUR. While this eliminated FX exposure on the revenue side, it created significant timing and liquidity risk on the expense side, especially during low season.

FX impact was particularly acute for prepaid packages, which were often sold six months in advance. While funds were received in USD at the time of booking, supplier and payroll payments were often made many months later — at a materially different exchange rate. Initially, the company held all funds in USD until payment, converting only when needed. This created exposure during periods of local currency appreciation, reducing purchasing power.

The treasury team implemented a rolling hedging program, targeting 70% of forecasted expenses with forward contracts, and retaining 30% for tactical conversion. Local bank relationships were renegotiated to support better forward pricing, and internal cash flow modeling was enhanced to reflect seasonality in expense timing.

Over 18 months, the business reduced its FX-related EBITDA variance by over $500,000, with most gains coming from better alignment between revenue inflow and expense outflow timing. The shift was not driven by speculative gains, but by risk containment and liquidity planning - a hallmark of mature FX strategy.

D. Case Study: A Multi-Brand Tour Operator Managing Long-Cycle FX Exposure

A global tour operator group with multiple travel brands, serving North American, European, and Australasian markets, faced embedded FX risk across its end-to-end commercial model. With products sold 6–18 months in advance and operations spanning five continents, the business had both a broad FX footprint and a long timing gap between booking and delivery.

Retail pricing was largely consumer-facing and denominated in the local market currency - for example, USD for U.S. travelers, GBP for UK customers, and AUD for Australian clients. However, many core costs, including hotel contracts, DMC arrangements, and intermodal transport services, were priced in EUR or USD. This created significant forward-looking currency exposure across sales cycles that often stretched into multiple fiscal years.

As Director of Finance within the group, the FX strategy was restructured around three pillars:

- **Forecast visibility:** Commercial and operations teams were aligned to improve demand forecasting by region and brand, enabling treasury to model currency needs earlier in the sales cycle.
- **Risk tiering by product**: Not all products required the same hedging intensity. Luxury brands with longer lead times and higher margins justified structured forward contracts. Budget brands with tighter pricing relied more on natural hedging and tighter cash flow controls.
- **Exposure matching:** Where possible, sales in one currency were offset against costs in the same currency across brands and regions - for instance, using inbound EUR revenue from German customers to pay for DMC services in the Eurozone.

A particular challenge was aligning hedging execution with operational triggers. Group tours often had minimum threshold levels to run, and cancellation rates varied by region and season. Hedging too early risked overexposure; hedging too late introduced price uncertainty. Working with group treasury, FX activity was timed to booking conversion thresholds - not initial sales.

System fragmentation posed an additional obstacle. With different ERP systems across brands, currency exposure data had to be consolidated manually in many cases. Over time, a treasury dashboard was built to unify FX visibility across the portfolio, allowing leadership to make strategic decisions about when to hedge, hold, or match.

This case underscored a broader industry challenge: tour operators face longer FX exposure windows than many other segments of travel. Without structured forecasting, tiered risk models, and cross-brand matching, they are exposed not just to currency loss, but to margin compression over extended product cycles.

7. FX and Payments: Where the Ecosystems Collide

While FX and payments are often handled by different teams, their interaction creates some of the most acute operational risks in the travel supply chain. From virtual cards to refunds, and from reconciliation to settlement sequencing, FX volatility can spill into payment workflows - often in ways that disrupt cash flow, trigger disputes, or create hidden cost leakage.

A. FX Risk in Virtual Card Use

Virtual credit cards (VCCs) have become a default B2B payment method in travel, especially for hotels. Yet their design often assumes that the amount loaded onto the card, typically in a booking currency like USD, will match the supplier's expected charge in both amount and currency.

FX creates a critical point of failure here. If the hotel charges in a different currency (EUR, THB, etc.), the payment processor applies a real-time FX conversion, often at unfavorable rates. If the card was preloaded months earlier and exchange rates have moved, the card may no longer hold sufficient funds - leading to rejections at check-in or partial payments.

The issue is exacerbated in cases of booking modifications or cancellations. If a booking is reduced or refunded, and the new amount is reloaded at a different exchange rate, the supplier may receive less than expected or be unable to process the card at all. This "FX breakage" is not just a technical issue - it affects the commercial trust between the agent and supplier.

B. Refunds, Reversals, and Currency Directionality

Refunds are another friction point where FX and payments collide. When a customer pays in USD and the supplier is paid in EUR, the FX conversion typically happens at two points - once on the way in, and again on the way out. If exchange rates have changed, the refund amount may no longer match the original payment, creating discrepancies in reporting and reconciliation.

In some cases, the business issuing the refund absorbs the FX loss. In others, the customer receives less than they paid, prompting chargebacks or disputes. In regulated markets, mismatched refunds can even breach consumer protection rules, especially where terms and conditions were not clear on currency treatment.

C. Processor Architecture and Currency Routing

Many payment processors have limited FX flexibility. If a travel platform settles in USD but sells in multiple currencies, they may be using built-in processor conversion flows, which can trigger hidden FX markups, limit routing options, and complicate reconciliation.

More advanced platforms are beginning to route payments based on currency corridors, effectively holding local balances where regulatory environments allow, or using virtual IBANs to issue and collect in local currency. However, such systems depend on both legal and operational infrastructure, as well as treasury policies to manage currency holdings and FX exposure limits.

Without this sophistication, businesses find themselves overexposed to default processor behavior, with FX decisions effectively made by system design, not by strategy.

D. Reconciliation and Financial Reporting

At the intersection of FX and payments lies a quiet operational burden: reconciliation. When payments are made or received in a different currency from the original booking, matching amounts across systems becomes non-trivial.

Accounting systems often revalue FX balances nightly or monthly, generating paper gains or losses that may not reflect economic reality. Without clear logic to track when bookings were made, how they were paid, and in what currency, financial statements can show volatility that erodes trust with leadership, auditors, and stakeholders.

One missed FX assumption - such as the timing of revaluation or the use of spot vs. contract rates - can introduce hundreds of journal entries and materially distort EBITDA reporting, particularly for mid-sized travel businesses operating on slim margins.

8. Regulatory, Compliance, and Accounting Considerations

Currency strategy in travel is not just a treasury concern. It sits at the intersection of legal, regulatory, and financial reporting responsibilities - and failure to align FX operations with compliance frameworks can create risk well beyond margin erosion. As travel businesses expand globally, they must contend with foreign exchange controls, banking regulations, anti-money laundering protocols, and complex accounting standards that dictate how FX activity must be recorded, reported, and audited.

A. FX Compliance and BOI / KYC / AML Rules

Increased regulatory scrutiny on cross-border payments has elevated the importance of compliance in FX execution. Businesses making or receiving payments in multiple currencies must often verify the identity and legitimacy of counterparties under Know Your Customer (KYC) and Anti-Money Laundering (AML) frameworks. This is especially true when using third-party bank accounts, virtual IBANs, or pooled balances across entities.

The U.S. Beneficial Ownership Information (BOI) reporting requirement, now in force under the Corporate Transparency Act, requires certain businesses to disclose ownership structures that intersect with payment and FX flows. A failure to map FX operations to legal entity structures can create gaps in BOI reporting, exposing the business to regulatory penalties.

Furthermore, some jurisdictions impose restrictions on outbound or inbound FX transactions. These controls may affect refund handling, virtual card payouts, or supplier payments depending on the direction of flow and the currencies involved. In emerging markets, sudden changes in capital controls or liquidity windows can freeze funds or delay settlements, an operational risk often overlooked by finance teams.

B. FX Accounting Under IFRS and US GAAP

Accounting for FX transactions requires not only technical knowledge but also policy consistency across currencies, business units, and regions. Under both IFRS and US GAAP, companies must distinguish between:

- Transactional FX gains and losses: arising from settling foreign currency transactions
- Translation differences: resulting from consolidating foreign subsidiaries
- Hedging impacts: which must meet strict criteria for hedge accounting treatment

Travel businesses often find themselves exposed to FX-related accounting volatility when systems fail to capture the booking date, payment date, and settlement currency accurately. For example, if a supplier is paid in EUR but the transaction is recorded in USD, the unrealised FX fluctuation may appear in the P&L even when no actual loss has occurred.

Hedge accounting presents an additional complexity. To qualify for hedge treatment, the business must formally designate the hedge relationship, document its effectiveness, and apply the correct valuation methodology. For many travel businesses without dedicated treasury teams, these requirements are prohibitive - meaning that hedging activity, even when economically sound, can introduce accounting volatility if misapplied.

C. Managing FX Within Group Treasury Structures

For larger travel groups operating through multiple legal entities, FX exposure management must be coordinated centrally but not just to optimise cost, but to comply with internal and external controls. Treasury policies must address:

- Which entity holds the FX risk
- How intercompany FX exposures are tracked and settled
- Whether netting, pooling, or centralised hedging will be used
- The permitted use of derivatives across jurisdictions

In loosely integrated groups, exposure may accumulate unevenly. One region may hedge aggressively while another relies on natural offsets. Without visibility, the group can inadvertently become overhedged or exposed to speculative positions which is something auditors and regulators scrutinise closely, particularly when treasury operates across borders.

Best practice is to combine local operational flexibility with central oversight. Treasury dashboards that link booking-level data to exposure, cash flow forecasts, and hedging positions provide not only risk control but regulatory defensibility, a critical asset in today's cross-border financial environment.

9. Recommendations for Travel Companies

The diversity of business models in the travel industry means there is no one-size-fits-all FX solution. However, common principles apply. FX exposure must be actively mapped, risk must be consciously held or mitigated, and financial operations must be aligned with both data and systems. This section provides a structured framework for implementing FX strategy across four key travel business types: OTAs, DMCs, hotel groups, and wholesalers.

A. Online Travel Agencies (OTAs)

Exposure Profile: Multi-currency collections from customers, mixed-currency supplier payments, long booking windows, high refund potential.

Key Actions:

- Implement booking-level FX tracking, linking booking date, check-in date, and payment execution.
- Avoid default processor FX routing; seek platforms that allow multi-currency settlement and payout.
- Build internal dashboards to identify opportunities for natural currency matching across markets.
- Where refund exposure is material, explore rolling hedge programs or options tied to forecasted liabilities.
- Invest in structured refund logic that adjusts for FX movement between charge and refund — reducing margin leakage and chargeback risk.

B. Destination Management Companies (DMCs)

Exposure Profile: Inbound foreign currency bookings, local currency operating costs, limited pricing control on supplier contracts.

Key Actions:

- Use local currency pricing only where needed to boost conversions; otherwise, maintain a base operating currency and structure contracts accordingly.
- Maintain multi-currency operating accounts to prevent excessive conversions at time of payment.
- Establish close coordination between sales and finance to project incoming currency mix by season and geography.
- Consider netting contracts with high-frequency supplier partners, converting only on net balance to reduce transaction volumes.
- Build scenario models based on expected booking flow vs cancellation rates, to avoid premature hedging.

C. Hotel Groups (Independent or Regional Chains)

Exposure Profile: Revenue often in foreign currency (USD or EUR), cost base in local currency, timing gaps between booking and check-in.

Key Actions:

- Align treasury planning with seasonal booking curves and marketing calendar to anticipate cash inflows.
- For prepayments, implement forward FX contracts based on expected check-in windows and refund terms.
- Where VCCs are used, negotiate currency denomination policies and access to pre-settlement reports from issuers.
- Build internal controls to separate operational FX impacts (supplier payments) from valuation-driven accounting noise.
- For multi-property groups, assess whether centralized hedging or decentralized matching is most efficient based on volume and system capability.

D. Wholesalers and Bedbanks

Exposure Profile: Multi-currency sales and sourcing, long booking lead times, dual exposure (sales-side and supplier-side), complex intercompany flows.

Key Actions:

- Implement a centralized treasury function that receives booking data in near-real time, with full visibility into currency mix.
- Categorize bookings by hedging eligibility, including cancellation risk, contract currency, and stay date proximity.
- Build a matching engine that identifies offsetting flows (e.g., USD to EUR and EUR to USD) within close booking windows.
- Work with finance to produce hedge-ready forecasts, integrating booking volume, expected occupancy, and supplier payout schedules.
- Standardize FX handling policies across business units to ensure uniform treatment in both operations and accounting.

E. Cross-Cutting Themes Across All Models:

Cross-Cutting Themes Across All Models:

- Data Integrity: No FX strategy can function without clean, timely data. This includes booking timestamps, modification logs, check-in and payout windows, and payment execution metadata.
- Risk Ownership: FX risk must be consciously held — whether by treasury, finance, or operations. Delegating it to payment processors or suppliers creates ambiguity and limits control.
- Cost Visibility: Businesses must move beyond rate-shopping and toward total cost of FX, which includes spread, timing, reconciliation effort, refund risk, and liquidity drag.
- Governance: Policies must define not only which instruments can be used (forwards, options, spot), but also who can trade, on what triggers, and with what reporting obligations.

10. Conclusion: Rethinking FX as Strategy, Not Cost

In a global industry as operationally complex as travel, currency is not just a means of payment - it is a structural variable that shapes pricing, margin, liquidity, and risk. Yet FX is too often relegated to the backend: managed in isolation by finance teams, delegated to payment processors, or reduced to headline fees and card conversion rates.

This paper has argued that such an approach is no longer tenable. FX exposure in travel is embedded in how products are sold, when services are delivered, how payments are executed, and whether customers modify or cancel bookings. In this context, reactive or incidental FX management leaves companies exposed not just to cost variability, but to operational failures and reputational friction.

Forward-looking travel businesses, OTAs, DMCs, wholesalers, and hotel groups, must begin to treat currency as a first-order strategic issue. This means:

- Mapping FX exposure end-to-end, not just at the point of payment
- Holding risk deliberately and transparently, rather than by default
- Aligning financial operations, payment infrastructure, and system data
- Choosing the right instruments - hedging, netting, multicurrency - based on actual flows
- Building internal governance frameworks to enforce accountability and consistency

Done well, currency strategy becomes more than a protective mechanism. It enables clearer pricing decisions, more stable margins, improved cash forecasting, and greater confidence in financial reporting. It also reduces the hidden friction that weakens supplier relationships, creates consumer refund challenges, or triggers accounting volatility.

Above all, it shifts FX from a passive function to a proactive capability. And in a sector increasingly shaped by global flows, unpredictable booking windows, and shifting consumer expectations, that capability is no longer optional. It is a precondition for resilience.

11. Appendix A – Glossary of Terms

- **FX Exposure** – The risk of currency value change between booking, payment, and settlement.
- **Hedge** – A financial strategy to offset potential losses from FX movements.
- **Forward Contract** – A contract locking in an exchange rate for a future date.
- **Option Contract** – Gives the right (not obligation) to exchange at a set rate.
- **Netting** – Offsetting inbound and outbound flows in the same currency.
- **Functional Currency** – The currency in which a business primarily operates.
- **Transactional Exposure** – FX risk from specific payments.
- **Translational Exposure** – FX risk from consolidating multi-currency financials.
- **Spot Rate** – Current market exchange rate for immediate settlement.
- **Revaluation** – Accounting process of adjusting FX-denominated balances based on current rates.

12. Appendix B – References

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Case Examples: FX Strategy in Practice

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Conclusion: Rethinking FX as Strategy, Not Cost

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This white paper reflects general strategic and operational insights from real-world implementations in the travel industry. All case studies are anonymized. The content is not intended as financial advice and should be tailored to each company's specific regulatory, legal, and treasury environment