

**Forex Hedging**  
by dycotrade

## **Why Foreign Exchange Risk Belongs Inside Dynamics 365 Finance**

How embedded FX risk management creates  
control, accuracy, and confidence



## Executive Summary

Foreign exchange risk has become a structural challenge for international organizations. Currency volatility, tighter margins, and growing regulatory scrutiny mean that FX can no longer be treated as a side activity handled in spreadsheets or isolated treasury tools.

Yet many companies still manage FX risk outside their Microsoft Dynamics environment. Exposure is calculated in Excel. Hedges are registered in stand-alone systems. Reconciliations happen manually at month-end. The result is predictable: delayed insight, operational risk, audit pressure, and avoidable financial surprises.

This whitepaper makes a clear case for a different approach.

**FX risk management should happen where FX exposure is created: inside Microsoft Dynamics 365 Finance.**

By embedding FX risk management directly into Dynamics 365 Finance, organizations gain a single source of truth, real-time exposure insight, cleaner financial close, and stronger governance. FX stops being a reactive activity and becomes a controlled, data-driven discipline fully aligned with core financial processes.

This paper explores:

- Why traditional and external FX solutions fall short
- How embedded FX risk management changes decision-making
- What “embedded” truly means in practice
- And why Forex for Dynamics by DycoTrade represents the next stage of FX management for Dynamics 365 Finance users

The conclusion is simple:

**When Dynamics 365 Finance is your financial system of record, FX risk must live there too.**

## FX Risk Has Changed — But Most Processes Have Not

Global organizations operate in an environment defined by volatility. Currency fluctuations, geopolitical shifts, supply-chain disruption, and interest-rate changes directly affect margins and cash flows. For CFOs and finance leaders, FX risk is no longer occasional—it is continuous.

At the same time, expectations have increased. Finance teams are expected to:

- Close faster
- Forecast more accurately
- Maintain strong internal controls
- Stay compliant with accounting and audit standards

Yet in many organizations, FX management still relies on:

- Spreadsheets for exposure tracking
- Manual data exports from ERP
- Stand-alone FX or treasury tools
- Human reconciliation between systems



These approaches were manageable when FX was a periodic exercise. They are no longer fit for today's operating reality.

**The problem is not market volatility.**

**The problem is fragmented data and disconnected processes.**

## Where FX Exposure Really Comes From

To manage FX risk effectively, it is essential to understand where exposure originates.

FX exposure is not created in treasury systems. It is created in daily business operations, such as:

- Sales orders and purchase orders
- Invoices and payments
- Intercompany transactions
- Projects and long-term contracts
- Cash and settlement flows

All of this data already lives in **Microsoft Dynamics 365 Finance**.

### When FX is managed outside the ERP:

- Exposure must be estimated or re-created
- Timing gaps appear between transactions and visibility
- Over-hedging and under-hedging become common
- Finance teams lose trust in their numbers

### When FX is managed inside D365 Finance:

- Exposure is calculated directly from real transactions
- Data is current, consistent, and auditable
- Hedging decisions are based on reality —not assumptions

This distinction is fundamental.

**FX accuracy starts with data accuracy. And ERP data is the most accurate data finance has.**

## The Hidden Cost of External FX Solutions

External FX solutions promise structure, automation, and control. In reality, they often introduce new complexity.

Every interface creates risk. Every spreadsheet introduces dependency on individuals. Every reconciliation delays insight.

What starts as “specialist tooling” often becomes:

- Operational overhead
- A bottleneck at close
- A weak point in governance

### Common challenges with stand-alone FX tools

- Interfaces and integrations that require ongoing maintenance
- Duplicate entry of contracts and exposure data
- Differences between ERP and FX system balances
- Manual adjustments at month-end
- Increased audit effort to explain discrepancies

Most importantly, external tools disconnect FX decisions from the financial processes they are meant to protect. **Automation without integration is only partial automation.**

## Why FX Belongs Inside Dynamics 365 Finance

The strongest FX risk frameworks are not built by adding systems. They are built by embedding FX into existing financial processes.

### One Source of Truth for FX Exposure

An embedded FX solution uses Dynamics 365 Finance as its only data source. Exposure is calculated directly from sales, purchases, intercompany, and cash transactions.

- No duplicate data
- No timing mismatches
- No reconciliation effort
- Finance teams always know:
  - What exposure exists
  - Where it comes from
  - How it is hedged

### Faster, Cleaner Financial Close

Month-end FX activities are one of the most error-prone parts of financial close. Manual revaluations, adjustments, and explanations cost time and credibility.

- Automatic FX revaluation postings
- Consistent realized and unrealized FX treatment
- Clear linkage between transactions, hedges, and results
- The result is a faster close with fewer corrections and fewer audit questions.

### Stronger Controls, Governance, and Auditability

Every FX position can be followed from (& back):  
Order → Exposure → Hedge → Settlement → Financial result

- Using standard approval workflows
- Respecting segregation of duties
- Applying consistent rate sources
- Maintaining full transaction traceability

### Better Cash Visibility Across Currencies

FX exposure is closely tied to cash forecasting. When FX data is fragmented, cash forecasts suffer.

- Accurate multi-currency cash positions
- Predictable settlement flows
- Improved working-capital insight
- Finance leaders gain a clearer view of liquidity risk and currency impact.

## What “Embedded” Really Means

“Embedded” is not a marketing term. It is a technical and functional reality. FX contracts are not linked back later. They are part of the financial workflow from the start.

### A truly embedded FX solution:

- Runs inside Dynamics 365 Finance
- Uses the same user interface
- Respects existing user roles and permissions
- Uses native master data
- Feeds directly into standard reporting and BI

### This eliminates:

- Interfaces
- Sync issues
- Data duplication
- Process fragmentation

Embedded FX turns risk management into a **natural extension of finance**, not a parallel activity.

## From Reactive Hedging to FX Governance

Traditional FX management reacts to exposure after it appears, while embedded FX enables structured governance.

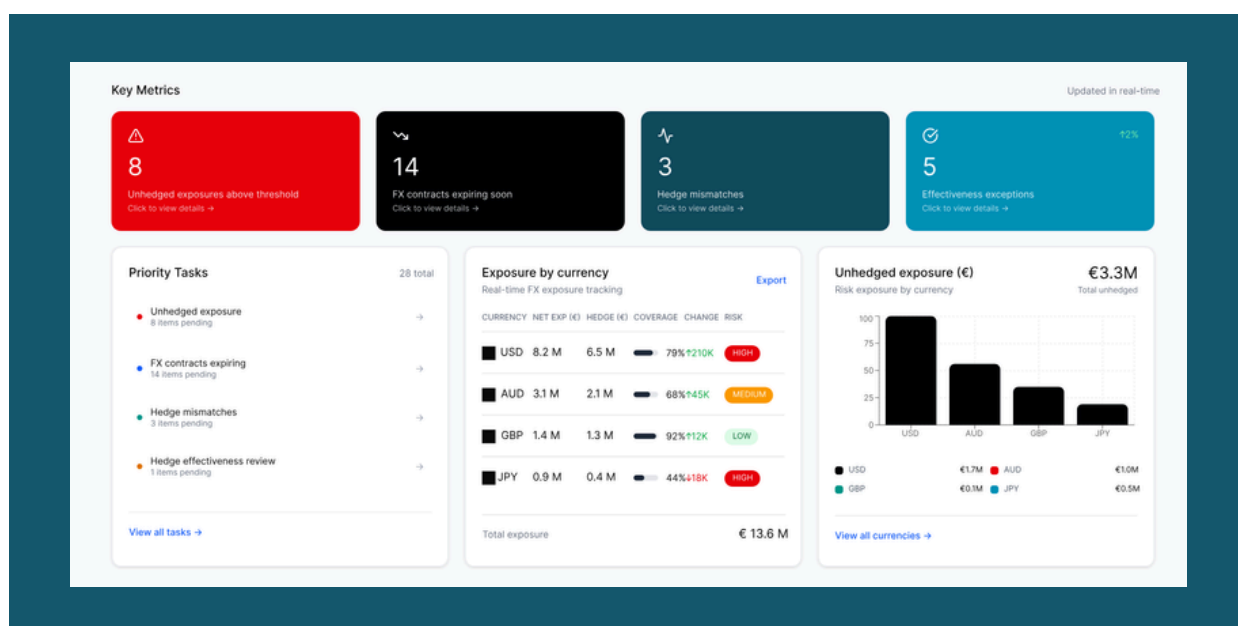
Key capabilities include:

- Policy-driven hedging rules
- Configurable thresholds
- Multi-contract hedging (one-to-many, many-to-one)
- Real-time exposure dashboards
- Embedded BI reporting

FX decisions become:

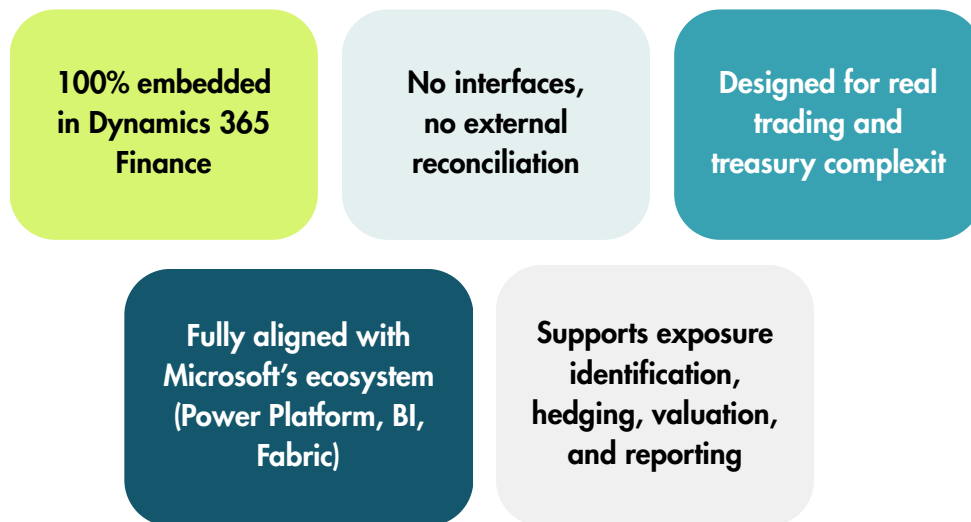
- Predictable
- Repeatable
- Defensible

**This shift is critical for organizations operating at scale, across entities, currencies, and markets.**



## Forex for Dynamics by DycoTrade

Forex for Dynamics is a fully embedded FX risk management solution built specifically for Microsoft Dynamics 365 Finance users.



Forex for Dynamics is not a generic FX add-on. It is built by DycoTrade, a specialist ISV with deep focus on trade, risk, and financial processes inside Dynamics.

**The solution allows finance and treasury teams to:**

- Eliminate spreadsheet-driven FX processes
- Improve accuracy and control
- Reduce operational and audit risk
- Gain real-time insight into currency exposure

All within the environment you already use every day.

## Conclusion: FX as a Core Financial Discipline

FX risk is no longer optional. Neither is automation. But automation without integration cannot deliver the control, confidence, and governance modern finance requires.

The most resilient organizations manage FX:

- At the source of the data
- Inside their ERP
- As part of standard financial workflows

If Dynamics 365 Finance is your system of record, FX risk belongs there too.

## Take the Next Step

Seeing embedded FX management in action makes the difference immediately clear.

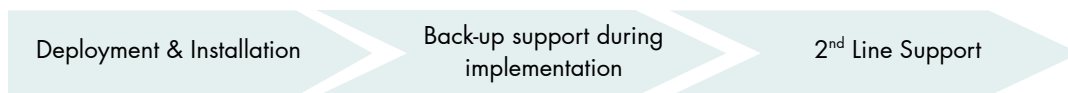
If you want to:

- Reduce FX risk and operational effort
- Improve financial close and audit readiness
- Gain real-time visibility into currency exposure

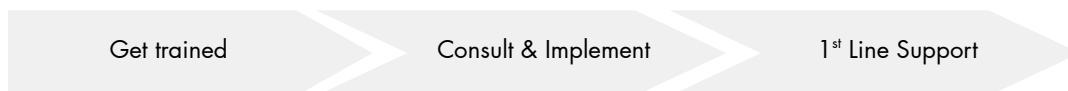
Reach out to DycoTrade and experience Forex for Dynamics firsthand.

A short demo is often all it takes to see why FX risk management works best when it is fully embedded in Dynamics 365 Finance.

### Forex Hedging Customers



### Forex Hedging Partners



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