



EXPORT DEVELOPMENT CANADA

**Manage FX risk with confidence
as you grow globally**



Don't let FX volatility limit your global growth

This guide explains how to strengthen your FX strategy, reduce collateral pressure and protect working capital as you hedge larger contracts and expand into new markets.

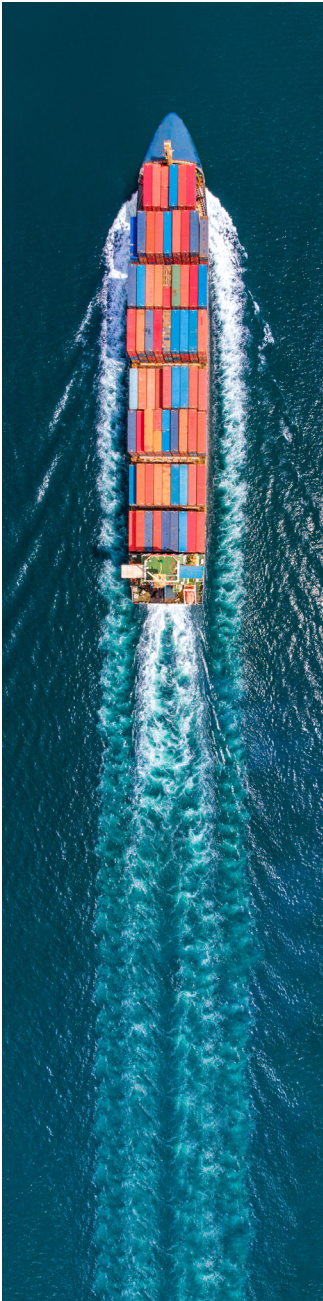
Currency volatility shouldn't stop you from growing your business. Having the right foreign exchange (FX) tools in place is important to protect your margins and plan with confidence, but collateral tied up in FX facilities and sudden margin calls can drain the liquidity available to manage larger FX hedges and multi-market exposure.

Export Development Canada's (EDC) [Foreign Exchange Guarantee \(FXG\)](#) works with the FX facility you already have with your financial institution or broker. Instead of posting collateral for your FX contracts, your provider uses FXG to secure them. This gives you the same FX risk protection you rely on today, but with more available working capital to support larger contracts and multi-market growth.





Why having an FX strategy matters in 2026



EDC's economic analysts predict a volatile year ahead, even as global growth stabilizes. Our latest [Global Economic Outlook](#) forecasts world gross domestic product (GDP) growth of 3.1% in 2026, Canadian growth at 1.2% and a policy landscape shaped by tariffs, shifting trade routes and cautious consumers.

Central banks are gradually easing from multi-year, high-bond yields, which keeps financing conditions tighter than pre-pandemic norms. FX markets are expected to fluctuate, with the loonie averaging US\$0.72 in 2026.

Prince Owusu, senior economist at EDC, says, "It's important to talk to your financial advisor and keep abreast of developments in the countries where you're doing business, to help you manage currency fluctuations in today's turbulent global market."


Having an FX strategy helps you manage that volatility, especially if you're working with multiple global buyers, or entering new markets where currency swings can quickly erode margins. Strengthening those FX tools with EDC's FXG can give you the working capital flexibility to turn uncertainty into an opportunity to grow.

“ Foreign exchange risk is one of the biggest risks faced by Canadian companies doing business overseas. **”**

Prince Owusu – Senior Economist, EDC



How managing large FX exposures puts pressure on working capital



Even with an effective hedging strategy, traditional FX facilities are structured to limit the cash available to you. Collateral requirements and margin calls can leave you short on working capital just when you need it most.

As your FX exposure grows, every dollar of available liquidity matters. You need the freedom to pursue new opportunities, fulfil larger orders and respond quickly to shifting market conditions. That's where EDC's FXG can help strengthen your FX strategy by freeing up working capital and increasing your borrowing capacity with your financial institution or broker.

Why working capital constraints increase FX risk

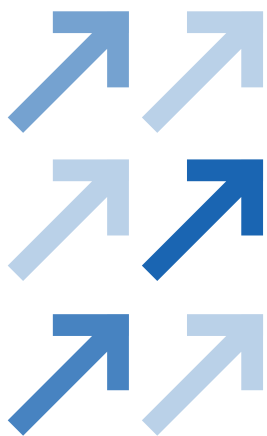
Even when your hedging program is solid, the financial realities behind it can quietly drain your resources.

Collateral that ties up growth capital

Most forward contracts, or FX facilities, require collateral—often 10% to 15% of the contract's value—although some require up to 30%, depending on contract size and market conditions.

For example, a \$1-million FX facility may require \$100,000 to \$150,000 in collateral. That's capital you can't use for payroll, inventory, or financing new contracts.

Many medium-sized exporters want to know how to reduce FX collateral requirements without shrinking hedge size.



Margin call disruptions

Margin calls often happen at the worst possible moment. They can force you to shift cash into your FX facility when exchange rates change quickly, putting immediate pressure on your working capital.

With an FXG, you don't have to meet margin calls until you reach the maximum amount allowed under the facility.

This gives you more predictable access to cash, so you can move quickly on to new opportunities.

How FX facility planning can support scaling into larger contracts

Financial institutions and brokers are essential partners in your FX strategy, but they often require:

- **Collateral**, even for well-established exporters
- **Margin calls** that drain cash unexpectedly
- **Facility limits** that are smaller than the size of international opportunities you're pursuing
- **Restricted access** to advanced hedging tools unless collateral is increased

This is where EDC's support changes what's possible.





How EDC's FXG helps exporters boost FX strategies without tying up liquidity



Free up your working capital: FXG replaces the collateral your financial institution, or broker, requires for FX contracts.

- No collateral required
- More liquidity for operations and expansion



Protect your cash flow: With our guarantee in place, you don't need to meet margin calls until you reach the facility's maximum.

- Greater stability
- Predictable cash flow
- Better budgeting accuracy in Canadian dollars



Increase your borrowing capacity: When your collateral isn't tied up, your financial institution, or broker, may lend more against your newly accessible assets.

- Higher liquidity
- More confidence from lenders



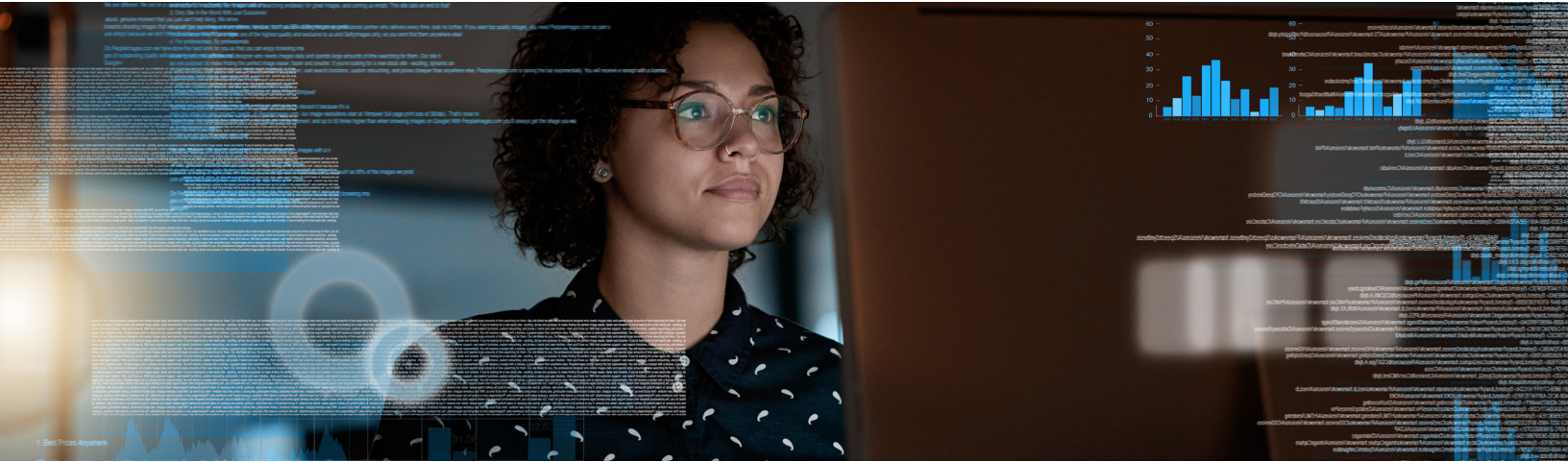
Expand your opportunities: With more working capital, you can:

- Pursue larger contracts
- Enter more markets
- Use advanced hedging tools without tying up cash



Support strategic growth: FXG helps you manage FX exposure without compromising your ability to invest in the next stage of growth.





How FXG works in three steps

Step 1

Set up, or maintain, your FX facility with your financial institution or broker. Keep hedging like you do today. No changes required.



Step 2

EDC provides a guarantee that replaces the collateral your financial institution, or broker, would normally need. Your collateral requirement becomes zero.



Step 3

Hedge with full access to working capital and no margin calls until the facility maximum is reached. Your cash flow becomes more predictable. Your FX strategy becomes more flexible.

FXG benefits at a glance

Your challenge	What FXG provides	Why it matters
Collateral tied up in your FX facility limits liquidity and borrowing capacity	FXG replaces collateral and frees up assets	More cash for operations and better access to financing
Unpredictable margin calls	FXG absorbs margin calls up to the facility max	Stabilizes cash flow and protects liquidity
FX facility too small for your needs	Potential for larger FX facility capacity	Ability to hedge larger contracts and support multi-market growth
Limited access to advanced hedging tools	FXG-supported FX facilities can broaden hedging options	More strategic, flexible FX management



How FXG improves cash flow: Real-world scenarios

These examples show how FXG can improve cash flow in different export scenarios.

Example A: \$1-million forward contract

Traditional facility:

- \$100,000 to \$150,000 collateral required
- Margin calls possible

With FXG:

- No collateral
- No margin calls until facility limit is reached
- Full \$100,000–\$150,000 liquidity stays available to the business

Example B: Growth opportunity

You win a large international contract, but need cash for materials, fulfillment or new hires.

Traditional facility:


- Collateral requirement reduces available capital
- Borrowing capacity can shrink

With FXG:

- Cash stays in your business
- Financial institutions, or brokers, may lend more against newly accessible assets
- You can scale faster



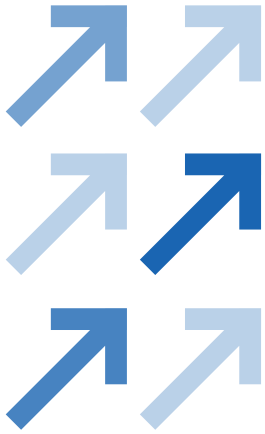
Success story: Managing FX risk and liquidity when growing globally



UgoWork is a Quebec-based technology company providing cloud-enabled, pay-as-you-go lithium-ion power solutions for industrial trucks used across North America. As the company expanded into the United States (U.S.), currency fluctuations on U.S. sales started to squeeze margins and working capital—just as demand from major customers was growing.

To manage FX risk without tying up cash, UgoWork uses EDC's FXG through its financial institution. It allows the company to hedge U.S. sales without posting collateral, helping stabilize cash flow and protect margins as they scale into new markets.

Find out more about [how UgoWork manages cash flow](#), so it can keep investing in production and grow internationally without compromising working capital.



Is FXG a good fit for exporters managing large FX exposures?

FXG is available to Canadian exporters who already have an FX facility with a participating financial institution, or broker, subject to EDC's assessment.

FXG delivers the most value when your business:

- Has an active hedging program
- Is expanding into new markets or taking on larger contracts
- Wants to protect margins without sacrificing liquidity
- Has collateral tied up in FX facilities
- Faces unpredictable margin calls
- Needs more flexibility than financial institutions, or brokers, can offer

If these challenges sound familiar, FXG can help strengthen your FX strategy and support your growth.





Frequently asked questions



For Canadian exporters experiencing volatile exchange rates, these questions can help clarify how FXG fits into your hedging strategy.

Q: Does FXG replace my FX facility?

A: No. Our facility works through your existing FX facility. It replaces the collateral your financial institution, or broker, requires, improving your liquidity without changing how you hedge.

Q: Will my financial institution, or broker, accept FXG?

A: Yes. EDC partners with major Canadian financial institutions and FX brokers, and our solution is designed to work within your current banking relationship.

Q: Does FXG change the hedging instruments I use today?

A: No. You keep using the FX tools and strategies you rely on. FXG simply improves the working capital impact behind them.

Q: How is the cost structured and can the facility support multiple contracts?

A: FXG is prepaid protection, typically a percentage of your facility value based on risk rating and contract duration. Once in place, your FX facility can cover multiple contracts up to the approved limit.

Ready to boost your FX strategy with EDC's FXG?

With decades of experience in international trade, EDC is committed to empowering exporters with the tools and expertise needed to succeed globally. If collateral requirements and margin calls are limiting your growth, we can help.

"Proactive planning will help ensure you can confidently manage FX risk and enhance your company's profitability and financial stability."

— Prince Owusu – Senior Economist, EDC

[Submit a product inquiry](#) to learn how EDC's FXG can transform your FX strategy, or contact your relationship manager for a consultation.

