

## Dual Currency Deposits

A Dual Currency Deposit is aimed at customers holding a cash balance (in any currency) with the aim of enhancing the interest they receive on that cash, and who have an ultimate requirement of converting that cash into another currency.

The cash is placed on fixed term deposit with Investec. A pre-determined 'Conversion Rate' will be agreed and set at a rate better than the current forward rate. An enhanced rate of interest is paid at a rate better than the base rate of the deposited currency. If the spot rate on maturity is above the pre-agreed Conversion Rate, then Investec will convert the deposited currency at the Conversion Rate. The enhanced rate of interest will also be paid back in the deposited currency.

### Advantages

- Provides you with an enhanced interest rate that is better than the current base rate
- Potentially allows conversion at exchange rates better than what would be available

### Disadvantages

- As the deposit is set for a fixed term you cannot convert or receive the deposit back early without paying break costs
- The exchange rate could be weaker by the end of the deposit term and your deposited amount might have to be converted at a less favourable exchange rate
- Does not constitute a 'hedge' of currency requirements as conversion is not guaranteed upon maturity

### How it works

You import goods from the US, and need to buy USD 5,000,000 over the course of 12 months to pay your suppliers. Your budget rate is set at 1.4500. You currently have GBP 1,000,000 sitting on account receiving 1.00% interest. At some point in the future you need to convert the GBP into USD but there is no pressing requirement.

The current GBP/USD spot rate is 1.5600 and the 1 month forward rate is 1.5500.

You place GBP 1,000,000 on a Dual Currency Deposit for a term of 1 month with Investec. The Conversion Rate for the Dual Currency Deposit is set at 1.6000 (15 cents better than your 1.4500 budget rate, and above the current spot/forward rate) and the enhanced interest is set at 5.00% (4.00% above your current return).

### Possible outcomes at expiry

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| Scenario 1 | GBP/USD strengthens, and at maturity of the contract the exchange rate is 1.6600. You receive USD 1,600,000 (GBP 1,000,000 converted @ 1.6000) plus the enhanced interest in GBP of 5.00%. |
| Scenario 2 | GBP/USD weakens, and at maturity of the contract the exchange rate is 1.4300. You receive GBP 1,000,000 plus the enhanced interest in GBP of 5.00%.  |



#### Disclaimer and Important Information

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