



Dual Currency Deposit

Earning returns through FX strategy

RBC Wealth Management is committed to meeting the international financial requirements of our clients. With offices in many of the key international financial centres in more than 150 countries around the world, we offer integrated wealth management solutions and exceptional service.

What are Structured Solutions?

Structured solutions are bespoke investment vehicles that can form an important part of your overall investment portfolio. Each product or solution is tailored to meet a particular set of circumstances.

You have the ability to tailor an investment structure to meet your specific investment objectives, taking into consideration such factors as your goals, risk tolerance and horizon. You are also able to incorporate non-standard features into these investments, including capital protection, exposure to less accessible markets and/or indices, options and swaps. Some of these additional features may carry extra risks or charges, which you should discuss with your private banker.

What does a Dual Currency Deposit do?

A Dual Currency Deposit (“DCD”) is a foreign exchange linked deposit that can meet your foreign currency needs whilst offering the potential for a higher interest rate than available with other fixed term deposits. In compensation for the higher risks that are associated with DCDs, due to being exposed to market risks, specifically foreign exchange, the returns are higher than the returns on normal deposits. The deposit will

receive a higher rate of interest irrespective of what happens to the exchange rate. However, the principal may be received back in the alternative currency if the exchange rate passes a pre-determined level.

Who are Dual Currency Deposits suitable for?

These products are suitable for clients willing to take a foreign currency risk in exchange for the potential to earn higher interest than could be received on a conventional bank deposit. Clients should be comfortable holding both currencies specified in the product and should be indifferent to receiving the principle, on maturity, in either currency.

Factors to consider

- Most suitable for investors indifferent between several currencies (e.g. € based investor with US\$ cash) or who have a currency view
- No secondary market: must be held to maturity
- Terms can range from one month to twelve months, commonly one, three and six months
- Minimums are £1million, US\$1million or €1million; we can combine several clients to achieve this
- Past performance is not necessarily a guide to future performance and any exposure to foreign currencies may cause additional fluctuation in the value of any investment
- The overall return will depend on market conditions at the time of deposit and maturity. Foreign exchange movements could result in an overall loss on the original capital invested
- Changes in the rates of exchange between currencies may cause the value of your investment to fall

How does it work?

The client is looking to deposit US\$ for three months but is happy to receive the deposit back in € if the exchange rate trades at a pre-agreed level.

The distance from the current exchange rate to the pre-determined 'conversion rate' is determined by client risk appetite. The level is based on how risk averse the client is. If the client is more comfortable with risk, the conversion level will be closer to the current level and, as a result, the interest payable would be higher over the deposit period and the risk of conversion is higher.

For the following example assume:

- US\$ three month LIBOR is 3.1725%
- € three month LIBOR is 1.9325%
- €/US\$ exchange rate at time of booking is €1 = \$1.2400
- A 'conversion rate' for the deposit is set at €1 = \$1.2280.

An annualised interest rate is determined for the US\$ deposit (in example below 6.84%). If at maturity the exchange rate is higher than the conversion rate then the client gets principal in US\$ and 6.84% interest in US\$. If at maturity the exchange rate is less than the conversion rate, the client gets principal in € and 6.84% interest paid in US\$ (in example below US\$ is converted to € at the conversion rate of €1 = 1.2280).

Potential scenarios

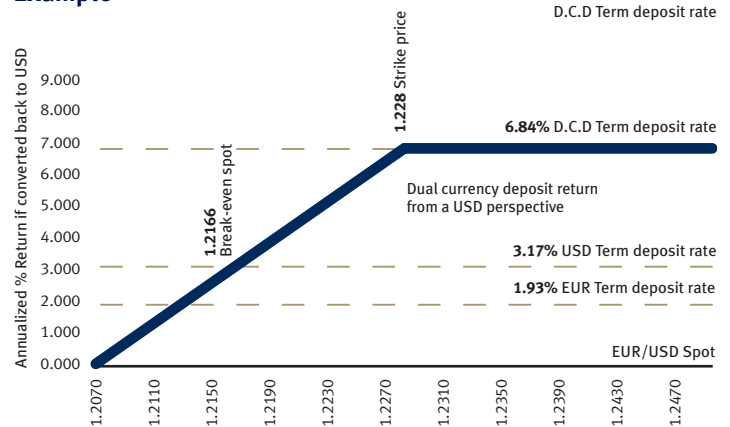
A) If US\$ goes down against € then the investor is likely to get back US\$ deposit plus enhanced yield (profit would be additional interest received over and above interest rate on a normal US\$ deposit of the same maturity).

B) If during the term of the deposit the € falls against the US\$ so that at maturity the exchange rate equals or falls below the strike price then the investor will be converted to €.

A potential loss will occur should the € continue to weaken and this would be represented by the difference between the strike price and the actual rate obtainable in the market at maturity. This loss will be reduced by the uplift in interest achieved over and above a normal US\$ deposit. See break-even point on the chart as well to reflect where we move from a profit to a loss position. The investor will receive back either a pre-determined amount of US\$ or € at maturity, only two

possible outcomes and both are known at the outset. A capital loss could result under scenario B if the € continues to fall against the US\$ and we are converted at our pre-determined rate, rather than the spot rate.

Example



Strike Price – The stated foreign exchange rate for which the underlying amount may be purchased or sold by the option holder upon exercise of the option contract.

Break-Even – The point at which gains equal losses.

These examples are for illustrative purposes only and are not indicative of actual returns

Readers should note that there is no secondary market for the types of products described in the attached literature and each product must be held until maturity. Maturities typically range from one month to one year, but may be longer. We do not usually consider these products to be suitable for individuals who are purely attracted to the product by the possibility of an enhanced return or who have no market knowledge or specific views on foreign exchange markets. You should always obtain independent financial advice relevant to your individual circumstances before making any investment decisions. For more information on Dual Currency Deposits, please contact your dedicated Private Banker.

Further information

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