

Practical Example for Deposit Plus (DPS)

Mr. Chan is planning a vacation with his family to Gold Coast, Australia next year. He needs to book flight ticket, hotel and exchange for AUD. Other than exchanging into AUD directly, Mr. Chan can also consider investing in Deposit Plus. He can earn interest while having a chance to exchange for more AUD.

What is DPS?

DPS is a structured investment product with a currency linked deposit feature that has a potential higher interest return than a normal time deposit. Let's say Mr. Chan needs to exchange his HKD into AUD. He can invest in DPS and uses HKD as deposit currency and the currency in need (AUD) as the linked currency. He can set a pre-defined exchange rate that is lower than the spot rate or set an interest rate, and sets a deposit tenor that can vary from 7 days to 3 months.

You can consider DPS if you're planning ahead and there is time in between now and your trip.

Example

Let's use a real case example. If the spot price of AUD/HKD is at 5.4, Mr. Chan sets the AUD/HKD pre-defined exchange at 5.35. Mr. Chan invests HKD5,000 into DPS to link to AUD for 7 days at 10% p.a.

7 days later, when AUD appreciates against HKD and is above the pre-defined exchange rate of 5.35, he will receive principal and invest in deposit currency (HKD). The interest that Mr. Chan earned from DPS can be used as additional travel allowance.

Conversely, when AUD dropped against HKD and is below the pre-defined exchange rate of 5.35, he will receive principal and interest in linked currency (AUD) at pre-defined exchange rate. So he exchanges AUD at pre-defined exchange rate that is higher than current spot rate. Although Mr. Chan exchanges at a higher exchange rate for AUD, the interest earned may make up for the differences. But if AUD falls substantially against HKD, then there will be losses.

What are the benefits of DPS?

There are four benefits to DPS:

1. Under any circumstances, investor can earn an interest and the interest rate is usually higher than time deposit can offer
2. Minimum investment amount is only HKD5,000
3. DPS can be invested any time via internet or mobile banking
4. Offers 11 major currencies such as AUD, GBP, CAD and etc.

Currency exchange rates are often volatile, if you choose to invest in DPS in stages, you can also earn interest while gaining a potential return. Regardless of your FX needs, whether it is for holiday vacation, overseas property purchase or children's study abroad, DPS is a suitable investment for you if you have a FX need.

Remember, investment involves risk.