Dual Currency Deposit

Treasury

Dual Currency Deposits

A Dual Currency Deposit (DCD) is a foreign exchange linked deposit that can meet your foreign currency needs while offering the potential for greater interest than what is usually available with traditional fixed term deposits. This enhanced interest is derived from the higher risks associated with foreign exchange exposure.

The investment is placed on fixed term deposit with MCB. A pre-determined conversion rate referred to as the 'Strike Rate' will be agreed upon and set at the start. An enhanced rate of interest is paid back in the deposited currency at a rate which is better than the base rate of the deposited currency.

Key Features

Offered in Euro or US dollar.

Minimum investment is USD 500 000 or EUR 500 000.

Deposit Term: one week up to one month.

Key Benefits

- Enjoy potentially higher interest on your investment than with a traditional fixed term deposit.
- Diversify your investment portfolio.

Key Risks

- Your investment is exposed to foreign exchange risk that could be affected by politics, economics and current affairs.
- Your investment can be converted into an alternative currency at a pre-determined conversion rate called the "Strike Rate" if there is an adverse movement in the currency pair.

Who are they for?

Dual Currency Deposits are suitable for investors who:

- Accept to take a risk on exchange rate between two currencies.
- Are willing to receive the invested amount in either one of the two currencies at the end of the investment term.
- Have a real need in the Alternate Currency.
- Believe that the enhanced interest rate justifies the potential currency depreciation.
- Take the view that the exchange rate between the two chosen currencies will remain stable during the investment period.

When choosing a Dual Currency Deposit, investors understand and acknowledge the impact of foreign exchange risk, which may potentially affect the value of their investment and agree that they may receive less than the initially invested amount.

How does it work?

Step 1: Place your investment in the base currency of your choice. (USD or EUR).

Step 2: Decide on the term of your investment (one week up to one month) and depending on your investment strategy and market conditions, set the Strike Rate. That is, the exchage rate at which you agree to convert, if your investment needs to be switched to your Alternate Currency. Alternatively, if you have a targeted interest rate, it will be used to determine your Strike Rate.

Step 3: On maturity date, you will receive the invested amount in either the base currency or the alternate currency. This is determined by comparing the Strike Rate with the spot rate two business days before maturity. The Strike Rate will be applied should your base currency be converted into the alternate currency. The enhanced interest rate will be paid in the base currency.

Example 1

Investment Currency	USD
Alternative Currency	EURO
Currency Pair	EURUSD
Deposit Amount	USD 700,000
Spot rate	1.3660
Strike Rate	1.3570
Trade Date	18/02/14
Start Date	20/02/14
Payment Currency Fixing Date	25/02/14
Payment Currency Fixing Time	16 00 London Time
Maturity Date	27/02/14
Investment Period	One week
Interest Rate	4%
Interest Payment	USD
Upon maturity	1. Scenario 1: The rate at maturity is >1.3570,. You will receive your investment amount and interest in USD. (USD 700,000 + 700000*4%*7/360)= USD 700544 2. Scenario 2: The rate at maturity is ≤1.3570, USD (your base currency) has strengthened against the Euro. You will receive your principal amount in the alternative currency, EUR 515844 (USD 700,000/1.3570) and interest in USD. (USD 700000*4%*7/360) = USD 544

Example 2

Company VXY imports goods from the United States, and needs to buy USD 600,000 next week to pay its suppliers. It currently has EUR 500,000 sitting on account receiving 0% interest. At some point in the future, it needs to convert the EUR into USD but there is no urgent requirement.

The current EURUSD spot rate is 1.3660.

Company VXY places EUR on a Dual Currency Deposit for a term of one week.

The Strike Rate is set at 1.3720 as it is the budgeted rate of VXY, with the corresponding enhanced interest being 6% per annum.

Possible outcomes upon maturity

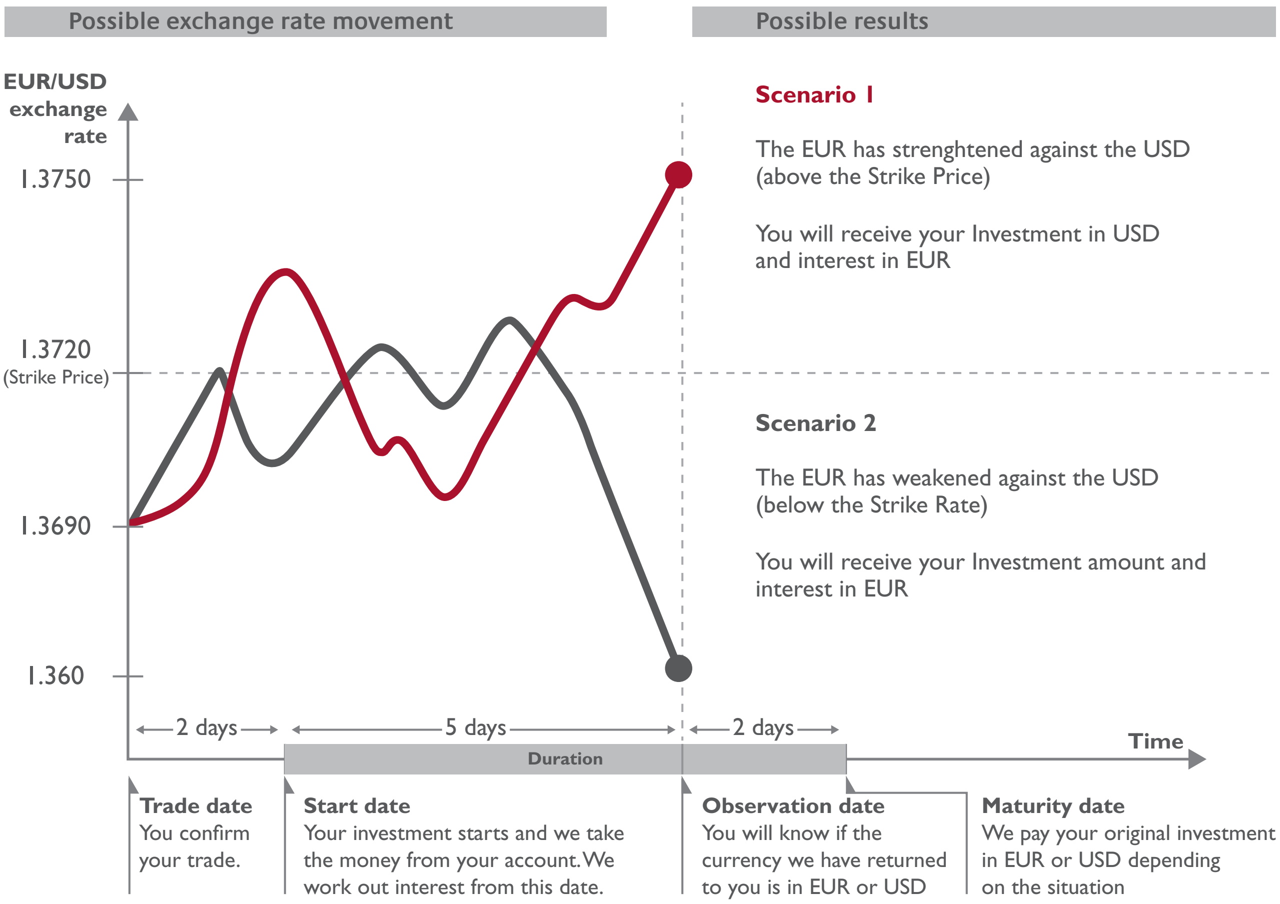
Scenario 1

EUR/USD strengthens, and at maturity of the contract the observed spot rate is 1.3750.

Company VXY receives USD 680,000 (EUR 500,000 converted @ 1.3720) plus the enhanced interest in EUR of 6%, EUR 583.

Scenario 2

EUR/USD weakens, and at maturity of the contract the observed spot rate is 1.3600. Company VXY receives EUR500,000 plus the enhanced interest in EUR of 6%, EUR 583.



The simulations of the Dual Currency Deposit presented in this document result from estimations of The Mauritius Commercial Bank Ltd at a given time, on the basis of the parameters selected by the Bank, the market conditions at such time and historical data, which can in no way be considered as a guarantee of future performance. Therefore, the prices or figures indicated in this document only have an indicative value and do not constitute in any manner a firm price offer from The Mauritius Commercial Bank Ltd. The figures relating to future performance are a forecast which is not an indicator of future results.

How to apply?

Contact your Account Executive to make a Dual Currency Deposit.

Terms and Conditions apply. Investors should refer to the Terms and Conditions before investing in the Dual Currency Deposit and in particular, the "Risk Factors" Section of the Terms and Conditions.

Understanding the key terms

- The observation date is two business days before the end of your investment term where MCB shall work out which currency your proceeds will be paid in by comparing the current market exchange rate (spot rate) with your Strike Rate.
- The investment term is the length of the investment. In the examples above, the term is one week.
- The Strike Rate is the exchange rate you select and agreed with MCB when you set up a DCD. It is the exchange rate at which you agree to convert, if your investment converts to the alternate currency.
- The interest rate is the annual percentage rate which is used to calculate the return due to you at maturity.
- The base currency is the currency in which you place your investment.
- The alternate currency is the other currency linked to your investment.

Important Information

Before proceeding with any investment in the Dual Currency Deposit and in view of performing any related operation, the potential investors must undertake their own analysis of the product and its risks namely, from a legal, fiscal and accounting point of view to hence, avoid exclusive reliance upon the information and data submitted to them. It is therefore highly recommended that professional advice and expertise be sought to this effect.

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