

# Currency Linked Premium Deposit



Grasp Currency Linked Opportunities to Enhance Your Interest Return

Dah Sing Bank "Currency Linked Premium Deposit" is a structured product which offers you the chance to earn a higher interest income than a time deposit.

## Product Highlights

Currency Linked Premium Deposit is a structured product that allows you to earn a higher interest return than that of a time deposit if the exchange rate movement of the currency pair chosen by you is consistent with your view. It also provides you with a chance to buy foreign currency at a discount to the prevailing exchange rate when you make the deposit.

This is a structured product that consists of a time deposit (in the Deposit Currency) and a currency option on an Alternate Currency of your choice.

At the Fixing Date (same as Maturity Date):

- if the Alternate Currency has depreciated against the Deposit Currency to a level below the Conversion Rate, the Principal and Interest on your deposit will be paid in the Alternate Currency at the Conversion Rate;
- if the Alternate Currency has NOT depreciated against the Deposit Currency to a level below the Conversion Rate (or the Fixing Rate is equal to the Conversion Rate), the Principal and Interest on your deposit will be paid in the Deposit Currency.

As the product's payoff is linked to exchange rate movements, the product is suitable for customers who have a basic knowledge in the operation and behavior of the foreign exchange market, and are willing to receive the Alternate Currency and incur a foreign exchange loss.

Choice of Deposit Currency & Alternate Currency	EUR, AUD, NZD, USD, JPY, CAD, GBP, CHF, CNY <sup>+</sup> and HKD
Cross Currency Pairs	Availability is at the Bank's discretion
Deposit Tenor	1 week to 6 months, availability of other tenors up to 1 year is at the Bank's discretion
Minimum Deposit Amount	USD 12,500 or its equivalent
Fee	Nil
Conversion Rate	Customers can choose designated Conversion Rate
Early Withdrawal	Subject to the Bank's discretion
Fixing Rate	The Bank will decide the Fixing Rate at 2:00 pm HKT on the Fixing Date

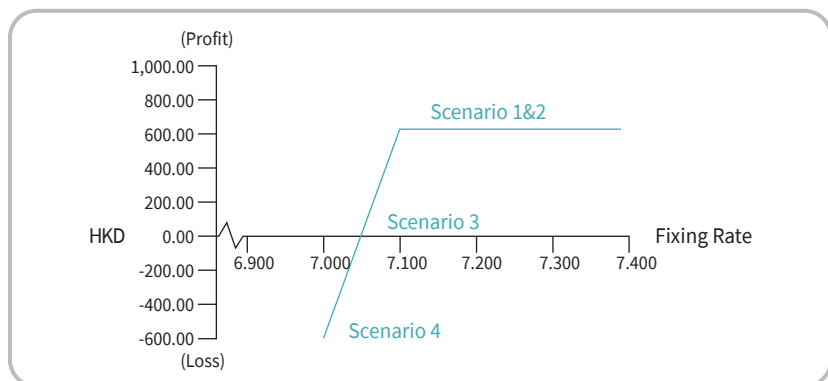
<sup>+</sup> Exchange rate of CNY refers to the rate quoted in offshore market, known as "CNH" or "CNY(HK)".

## Illustrative Examples\*

\* The following examples are for illustration purposes and shall not constitute any representation or warranty by the Bank in respect of any possible gain or loss.

Trade Date	12 Jul 20XX
Deposit Date	12 Jul 20XX
Fixing Date	19 Jul 20XX
Maturity Date	19 Jul 20XX
Tenor	1 week (7 days for interest calculation)
Deposit Currency	HKD
Alternate Currency	AUD
Principal	HKD 100,000
Conversion Rate	AUD/HKD: 7.1000 (as at applicable spot rate)
Interest Rate	32.35% p.a

### Return against different Fixing Rates



Scenario 1

#### Best Case Scenario – AUD strengthens against HKD (Fixing Rate > Conversion Rate)

Assuming the Fixing Rate is 7.2123, the repayment currency will be HKD

Principal + Interest: HKD 100,000 x (1 + 32.35% x 7/365) = HKD 100,620.41

**Profit# = HKD 620.41**

Scenario 2

#### AUD remains stable against HKD (Fixing Rate = Conversion Rate)

Assuming the Fixing Rate is 7.1000, the repayment currency will be HKD

Principal + Interest: HKD 100,000 x (1 + 32.35% x 7 / 365) = HKD 100,620.41

**Profit# = HKD 620.41**

Scenario 3

#### AUD weakens against HKD (Fixing Rate < Conversion Rate)

Assuming the Fixing Rate is 7.0602, the repayment currency will be AUD

Principal + Interest:

**Step 1:** HKD 100,000 x (1 + 32.35% x 7 / 365) = HKD 100,620.41

**Step 2:** HKD 100,620.41 / 7.1000 = AUD 14,171.89

If convert to HKD at the prevailing exchange rate (AUD / HKD: 7.0602)

AUD 14,171.89 x 7.0602 = HKD 100,056.38

**Profit# = HKD 56.38**

Scenario 4

#### AUD weakens further against HKD (Fixing Rate < Conversion Rate)

Assuming the Fixing Rate is 7.0139, the repayment currency will be AUD

Principal + Interest:

**Step 1:** HKD 100,000 x (1 + 32.35% x 7 / 365) = HKD 100,620.41

**Step 2:** HKD 100,620.41 / 7.1000 = AUD 14,171.89

If convert to HKD at the prevailing exchange rate (AUD / HKD: 7.0139)

AUD 14,171.89 x 7.0139 = HKD 99,400.22

**Loss# = HKD 599.78**

# If the Deposit Currency or the Alternate Currency (as the case may be) is not your home currency, you will be exposed to exchange rate fluctuation such that, when the Deposit Currency or the Alternate Currency (as the case may be) depreciates against your home currency, the loss from depreciation may offset or even exceed the potential profit or may worsen the potential loss as illustrated in the various scenarios above.

Scenario 5

#### Worst Case Scenario – AUD drops to zero against HKD

In any case of receiving AUD as the repayment currency, if the exchange rate of AUD against HKD drops to zero, then your loss would be the entire investment amount.

Scenario 6

#### The Bank becomes insolvent or defaults on its obligations

Assuming that the Bank becomes insolvent during the tenor of the Currency Linked Premium Deposit or defaults on its obligations under the Currency Linked Premium Deposit, you can only claim as its unsecured creditor. You may get nothing back and suffer a total loss of your deposit amount.

#### Note:

**1. For details, please contact our staff at branches.**

- Unless the context requires otherwise, this document does not constitute any offer, invitation or recommendation to any person to enter into any investment transaction nor does it constitute any prediction of likely future movements in prices of any investment products.
- The "Master Terms and Conditions" or the "Master Terms and Conditions for VIP Banking" (for VIP Banking Customer) (in particular, the provisions relating to Currency Linked Deposit) together with the Confirmation govern your investment in Currency Linked Premium Deposit.
- In engaging in a transaction involving Currency Linked Premium Deposits, with or through the Bank, the customer understands and agrees that:
  - The customer makes his own judgment in relation to investment or trading transactions;
  - Subject to applicable laws and regulations, the Bank assumes no duty to make or give advice or recommendations;
  - The Bank, its subsidiaries and affiliates may hold positions which may not be consistent with any advice by the Bank and which may result in losses on the customer's part; and
  - Any risks associated with any losses suffered as a result of the Bank entering into any transactions or investments on the customer's behalf are for the customer's account.
- The above information has not been reviewed by the Securities and Futures Commission or any regulatory authority in Hong Kong.
- This service / product is not targeted at customers in the European Union.
- The Chinese version of this leaflet is for reference only and if there is any discrepancy between the English and Chinese version, the English version shall prevail.

This brief warning cannot, of course, disclose all risks and other aspects in relation to Currency Linked Premium Deposit. The customer should accordingly obtain independent expert financial advice before investing in any Currency Linked Premium Deposit.

**Currency Linked Premium Deposit is a structured investment product involving derivatives. This investment decision is yours but you should not invest in this product unless the Bank has explained to you that this product is suitable for you having regard to your financial situation, investment experience and investment objectives.**

#### **Key Risks Warning**

The key risks for Currency Linked Premium Deposit are set out below. However, these risks do not represent all possible risks associated with an investment in Currency Linked Premium Deposit. You should refer to the relevant offering documents and understand the nature and risks involved of this investment product and obtain any necessary and appropriate professional advice before investing in this product.

**Non-Principal Protected Structured Deposit** – Currency Linked Premium Deposit is a structured deposit involving derivatives. Currency Linked Premium Deposit is not principal protected. You could lose all or part of your original deposit amount.

**Derivative Risk** – Currency Linked Premium Deposit is embedded with foreign exchange option(s). Option transactions involve risks, especially when selling an option. Although the premium received from selling an option is fixed, you may sustain a loss well in excess of such premium amount, and your loss could be substantial.

**Not a Protected Deposit** – Currency Linked Premium Deposit is not equivalent to time deposit and should not be regarded as a substitute for time deposit. Currency Linked Premium Deposit is not a protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong.

**Foreign Exchange Risk** – The return of Currency Linked Premium Deposit is linked to the exchange rate between the Deposit Currency and the Alternate Currency. Movements in exchange rates can be sudden and drastic, and affected by complex political and economic factors. You will be exposed to a risk of loss arising from exchange rate fluctuations. If the Deposit Currency and / or Alternate Currency is / are not your home currency, and you choose to convert it back to your home currency upon maturity, you may make a gain or loss due to exchange rate fluctuations.

**Exchange Control** – For currencies subject to exchange controls imposed by the relevant governments, such as renminbi (RMB), the exchange rates may be easily affected by change in government policies. Such currencies may have different exchange rates quoted in different markets. For example, exchange rates of RMB are quoted in onshore and offshore markets; the onshore rate of RMB is being referred as "CNY" and the offshore rate (i.e. when traded in Hong Kong) is being referred as "CNH". Although CNY and CNH represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction.

**Limited Potential Return** – Investing in Currency Linked Premium Deposit is not the same as investing in the Alternate Currency directly. Even if your view of the market movement of the Alternate Currency is correct, the maximum potential return is limited to the total interest amount for the Currency Linked Premium Deposit.

**Credit Risk** – Currency Linked Premium Deposit is not supported by any collateral or guarantee. Currency Linked Premium Deposit is subject to the creditworthiness of Dah Sing Bank ("Bank"). If the Bank becomes insolvent or goes into liquidation or defaults on its obligations under the Currency Linked Premium Deposit while your Currency Linked Premium Deposit is still outstanding, you will rank as an unsecured creditor of the Bank and could, in the worst case, lose your entire deposit amount irrespective of the terms of the Currency Linked Premium Deposit.

**Liquidity Risk** – Currency Linked Premium Deposit should be held until maturity. Currency Linked Premium Deposit is not listed on any exchange and is not transferable. Any termination, cancellation or withdrawal prior to maturity is subject to the consent of the Bank. You may incur significant costs or losses as a result of early termination, cancellation or withdrawal.

**Risks of Early Termination by the Bank** – The Bank has the right (but not the obligation) to terminate this product early upon occurrence of certain events. If this product is terminated by the Bank early, you may suffer a substantial loss under this product.

**Conflict of Interests** – Potential conflicts of interest may arise from the different roles played by the Bank, its subsidiaries and / or its affiliates in connection with the Currency Linked Premium Deposit. The Bank and / or its subsidiaries and / or its affiliates may enter into, adjust or unwind transactions relating to the relevant currencies, whether for its or its subsidiaries' or its affiliates' proprietary accounts or for account under management or to facilitate transactions on behalf of investors or otherwise. In carrying out these roles, the Bank's economic interests and those of its subsidiaries and / or its affiliates are potentially adverse to the investors' interests in the Currency Linked Premium Deposit.

**Not Covered by the Investor Compensation Fund** – The Currency Linked Premium Deposit is not listed on any stock exchange and is not covered by the Investor Compensation Fund in Hong Kong.

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