

# Dual Currency Deposit

## **PURPOSE**

To demonstrate how to book a dual currency deposit.

## **BACKGROUND**

A dual currency deposit is product sold by banks to corporate.

The characteristics of the transaction are as follows:

1. Corporate place a money market transaction in, say, SGD.
2. At maturity of the money market, the bank has the option to settle the maturity proceeds either in SGD or in another currency, say, USD.
3. If the bank chooses to settle in USD, the rate that applies is an agreed known rate that is determined at the start of the money market transaction.

The right to settle in another currency is in reality a currency option that the corporate has granted (written) to the bank. Such a right has value and in a currency option it would require the payment of an option premium by the bank to the corporate.

In the case of a dual currency deposit, premium is actually paid. Instead, the bank “compensates” the corporate by contracting the SGD money market transaction at a rate that is typically higher than the prevailing market rate on trade date. For this reason, the dual currency deposit is sometime referred to as an enhance-yield deposit.

## **WHY IS THIS IMPORTANT?**

The CS Lucas system does not directly book a dual currency deposit.

These instructions show how user may books the transaction based on its component parts: money market, currency option and (if the settlement is the second currency is exercised) a FX transaction.

## **TRANSACTION DETAILS**

Trade Date: 25th Jan 2021

Value Date: 28th Jan 2021

Maturity Date: 17th Feb 2021

Principal: SGD 500K

Interest: 3%

If on 15th Feb, the USD/SGD is above 1.350, business unit to receive the maturity proceeds in SGD


If on 15th Feb, the USD/SGD is below 1.350, business unit to receive the maturity proceeds in USD converted using 1.350

a) Book a MM on trade date


Amend Money Market	
	<input type="button" value="Update"/>
Settle'm Bank	<input type="text"/> <a href="#">Check Compliance</a>
Discount	<input type="checkbox"/>
Trade ID	MMK100001.00
Transaction*	Lend/Place
Accounting Centre*	NEWCO
TDate*	25/01/2021
VDate*	28/01/2021
MDate*	17/02/2021
Ccy*	SGD
Amount*	500,000.00
Interest Rate*	3.000000
Interest*	821.92
Accruals	Act/365 (fixed)
Facility*	NEWCO>DBS-SG   Available:SGD 100.00m ( 100.0%)
Counterparty ID	DBS-SG

b) Book a Currency Option on Trade Date

### Amend Options - Currency Vanilla



Update



Trade ID	CPT100003.00
Acct Cntr*	NEWCO
TDate*	25/01/2021
Exp Date*	15/02/2021
VDate*	28/01/2021
Trade*	Sell/Write
Call/Put*	Call
Style*	European
On Ccy*	SGD
Principal*	500,821.92
Against Ccy*	USD
Strike*	1.350000
Premium*	0.00
Volatility*	10.000000%
Facility*	NEWCO<->DBS-SG
Counterparty*	DBS-SG

On 15th Feb.

**Condition 1: If on 15th Feb, the USD/SGD is above 1.350.**

The option expires unexercised. No further action is required.

View	Activity								
Acct Cntr*	NEWCO	From*	25/01/2021	Time Bucket*	15 Weeks	UOM*	Full Value	Total In*	SGD
SSI*	+ NEWCO SSI	Portfolio		Forecast		Group Ccy?	<input checked="" type="checkbox"/>		
Refresh	Export	★	📄	<<	1 - 2 of 2	>>			
Date	Description	Total SGD	SGD	USD					
B/F	Opening Cash	0	0	0					
31 Jan 2021	Week 1	-500,000	-500,000	0					
7 Feb 2021	Week 2	0	0	0					
14 Feb 2021	Week 3	0	0	0					
21 Feb 2021	Week 4	500,822	500,822	0					
28 Feb 2021	Week 5	0	0	0					
7 Mar 2021	Week 6	0	0	0					
14 Mar 2021	Week 7	0	0	0					
21 Mar 2021	Week 8	0	0	0					
28 Mar 2021	Week 9	0	0	0					
4 Apr 2021	Week 10	0	0	0					
11 Apr 2021	Week 11	0	0	0					
18 Apr 2021	Week 12	0	0	0					
25 Apr 2021	Week 13	0	0	0					
2 May 2021	Week 14	0	0	0					
9 May 2021	Week 15	0	0	0					

**Condition 2: If on 15th Feb, the USD/SGD is below 1.350.**

The option is exercised:

## Options Exercise/Settle



Exercise

Net Settle

### Trade Details

Sell/Write European Call Option On SGD 500,821.92 against USD at strike 1.350000 expire 15 Feb 2021 with DBS-SG. Premium USD 0.00. [dev@demo12dl2l.com]

### Net Settlement Details

Vdate\* 15/02/2021

Settle Ccy\* USD ▼

Rec/(Pay) Amt\*

### Exercise Details

Acct Cntr\* NEWCO ▼

TDate\* 15/02/2021

VDate\* 17/02/2021

FX Facility\* NEWCO<->DBS-SG ▼  Available:SGD 100.00m ( 100.0%)

Counterparty\* DBS-SG

Our Dealer dev@demo12dl2l.com ▼

Ctpy Dealer

Narrative

## Amend Foreign Exchange Outright



This trade is created through the exercise of a ccy option trade (CPT100003.00). To delete this trade, cancel the exercise in the Currency Option module.

TradeID	FRX100003.00
Accounting Centre*	NEWCO
TDate*	15/02/2021
VDate*	17/02/2022
Transaction*	Sell
Ccy*	SGD
Amount*	500,821.92
Against Ccy*	USD
Spot Ref Rate*	1.350000
Forward Points	0.000000
Contract Rate	1.350000
Counter Value	370,979.20
Facility*	NEWCO->DBS-SG
Counterparty ID	DBS-SG
Reval Rate	

Available:SGD 100.00m ( 100.0%)

## Cash Activities

View: Activity

Acct Cntr\*: NEWCO From\*: 25/01/2021 Time Bucket\*: 15 Weeks UOM\*: Full Value Total In\*: SGD

SSI\*: + NEWCO SSI Portfolio: Forecast: Group Ccy? ☒

Refresh Export 1 - 2 of 2

Date	Description	Total SGD	SGD	USD
B/F	Opening Cash	0	0	0
31 Jan 2021	Week 1	-500,000	-500,000	0
7 Feb 2021	Week 2	0	0	0
14 Feb 2021	Week 3	0	0	0
21 Feb 2021	Week 4	499,820	0	370,979
28 Feb 2021	Week 5	0	0	0
7 Mar 2021	Week 6	0	0	0
14 Mar 2021	Week 7	0	0	0
21 Mar 2021	Week 8	0	0	0
28 Mar 2021	Week 9	0	0	0
4 Apr 2021	Week 10	0	0	0
11 Apr 2021	Week 11	0	0	0
18 Apr 2021	Week 12	0	0	0
25 Apr 2021	Week 13	0	0	0
2 May 2021	Week 14	0	0	0
9 May 2021	Week 15	0	0	0

## FREQUENTLY ASKED QUESTIONS

**FAQ01: How to book a dual currency deposit if we do not have the currency option module?**

- You may book the money market transaction as above.
- On maturity, if the bank decides to settle in USD, then book the FX above directly in the system.

### **RELATED INFORMATION**

### **CHANGE HISTORY**

Date	By	Changes
24-Jan-2022	Lyra	Created