

Deposit Plus Basic Knowledge

Simon: Sam, looks like you've had a great time in Europe. I bet you're making a hefty profit these days!

Sam: Well, it's not bad actually. You know I've always been keen on buying foreign currencies but since there's not been so much movement in the exchange rates lately, I've been placing Deposit Plus orders to earn more interest on one hand and buying foreign currencies at a predetermined exchange rate on the other hand. It paid off quite nicely!

Simon: So, what is this Deposit Plus?

Sam: Oh, Deposit Plus is a currency linked deposit. I recently placed a Deposit Plus in Hong Kong dollar linked to Australian dollar. Upon maturity, I'll get back the principal plus interest in deposit currency if Australian Dollar against Hong Kong Dollar on fixing date is at or above the predetermined conversion rate. Better still, the interest rate offered is potentially better than a time deposit! Even if the Aussie dollar weakens and I receive the principal plus interest in Aussie, it's okay since I am planning a trip to Australia so I can use them anyway.

Simon: I see, I have heard of similar investment tools but I've no idea how they work, so never invested in any.

Sam: Well, Deposit Plus is quite simple. You choose a deposit currency and another currency which you have actual needs and have a bullish view on to be the linked currency. In case you receive the linked currency at maturity you will still find it suitable for yourself. Let say you have set up a Deposit Plus with Hong Kong dollar linked to Australian dollar with conversion rate at 7.98. If Australian Dollar against Hong Kong Dollar exchange rate is at or above it on fixing date, say it's 7.99, your principal and interest will be paid in Hong Kong Dollars. On the other hand, if Australian Dollar against Hong Kong Dollar exchange rate is lower than the conversion rate at 7.96 on fixing date, your principal and interest will be converted to Australian Dollar using the conversion rate of 7.98.

Simon: Sounds like a good deal. And I guess it's better to earn extra interest than just to place my foreign currencies in time deposit.

Sam: Right, but don't forget there are risks involved. If Aussie dollar depreciates and you convert the proceeds back into Hong Kong dollars, you may suffer a loss on your principal. Be sure you have read the offering documents to learn about how Deposit Plus works and the risks involved before making any investment.

Simon: Got it! OK, I'll set up a Deposit Plus next time

Sam: Well, you can actually do it right away. It's very convenient to trade on HSBC Internet Banking or via HSBC Mobile Banking. You can also do it after work!

Simon: Good, let me try then.