



# Dual Currency Investment

## DCI

Dual Currency Investments are only available to wholesale clients as defined by the Corporations Act 2001 (Cth)

### What is a NAB Dual Currency Investment?

The NAB Dual Currency Investment (“DCI”) is a foreign exchange linked term instrument that is exposed to foreign exchange rate risk.

### How does the DCI work?

To enter into a DCI you will nominate a Principal Amount, Investment Currency, Exchange Currency, Option Strike Rate and other terms. Upon Maturity Date NAB will determine whether it will repay the investor the Principal Amount in either the Investment Currency or the Exchange Currency. On the Maturity Date NAB will also pay the investor the Yield earned on the Investment Currency.

### Features

- Flexible term from one week to one year.
- Principal Amount: minimum AUD100,000 (or equivalent).
- DCI is a hold to maturity investment and the Yield is paid at Maturity in the Investment Currency.
- Generally available in AUD, USD, NZD, GBP, EUR, JPY, RMB, HKD, SGD, CAD or other currency agreed by NAB.

### Potential for enhanced Yield

A DCI may provide an enhanced Yield above the prevailing market interest on a conventional term deposit of the same principal amount over the same deposit period. However, you must accept the risk that the Principal Amount of the DCI may be reduced as a result of exchange rate movements and the conversion of the Principal Amount from the Investment Currency to the Exchange Currency. The Yield is determined by the agreed terms, including the tenor, the selected Investment Currency, Principal Amount, Exchange Currency and Option Strike Rate.

### Benefits

- May tailor parameters to suit your view on future market movements and personal requirements.
- Diversification in a portfolio of foreign currencies.
- Potential to receive an enhanced yield above prevailing market interest rate on a conventional term deposit of the same Principal Amount over the same term.

### Key Risks

- If the DCI has been converted into the Exchange Currency and you seek to reconvert back into the Investment Currency, you may face a loss of Principal in Investment currency terms.
- DCI is not designed to be repaid, in full or in part, prior to Maturity and the Principal Amount or any Yield earned cannot be withdrawn prior to Maturity unless with NAB’s consent (and economic costs will be payable by you).
- Interest rates and foreign currency rates may rise and fall after investing in a DCI. You will not receive any benefit from any favourable movements in these rates during the Term and you will not be protected from any unfavourable movements in these rates during the Term.

NAB strongly recommends that you talk to your legal, financial or tax adviser to understand the risks involved before entering into a NAB Dual Currency Investment.

### Not a Deposit

DCIs are not deposit liabilities and are not protected under the Australian government Deposit Protection Scheme.

### Who can apply?

Companies, individuals, partnerships, trusts, and non-profit organisations who are signed up to NAB’s Wholesale Investor Register. Investors need to have in place a Master Agreement for Foreign Exchange and Derivative Transactions or an ISDA Master Agreement.

**Example - illustrative and hypothetical**

**Quote**

**Investment Currency:** USD

**Exchange Currency:** AUD

**Principal Amount:** USD\$500,000

**Terms:** 91 days

**Option Strike Rate:** 0.7450

**Yield:** 5.00 % p.a.

**Interest Rate Day Count Fraction** 360

**Scenario A:**

**USD depreciates against AUD**

Spot Exchange Rate at Maturity is 0.7750 and is above Option Strike Rate

**Settlement Amount**

- = Principal Amount + [Principal Amount x Yield x (Term ÷ Interest Rate Day Count Fraction)]
- = USD 500,000 + [500,000 x 5.00% x (91 ÷ 360)]
- = USD 500,000 + USD 6,319.44
- = USD 506,319.44

**Scenario B:**

**USD stays at Option Strike Rate against AUD**

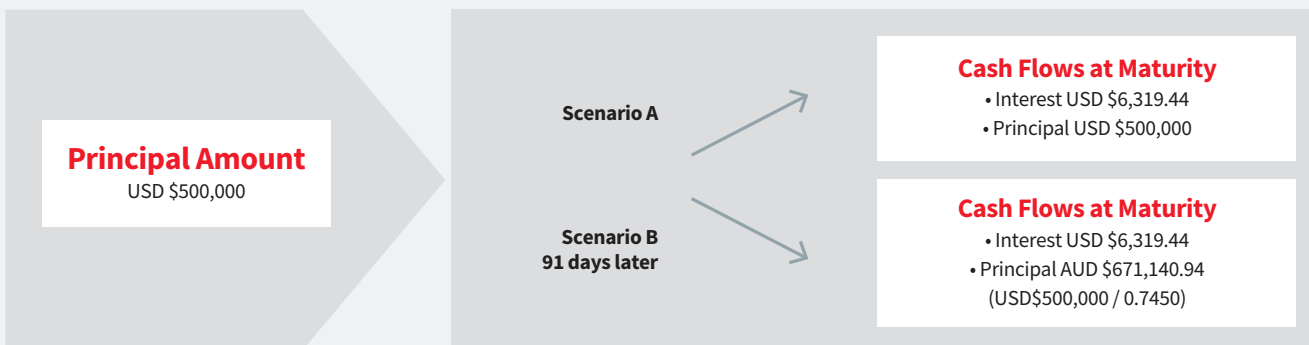
Spot Exchange Rate at Maturity is 0.7450 and is equal to the Option Strike Rate

**Settlement Amount**

- = (Principal Amount ÷ Option Strike Rate) + [Principal Amount x Yield x (Term ÷ Interest Rate Day Count Fraction)]
- = (USD 500,000 ÷ 0.7450) + [500,000 x 5.00% x (91 ÷ 360)]
- = AUD 671,140.94 + USD 6,319.44

*No change to Principal Amount*

USD 500,000.00 = AUD \$671,140.94 x 0.7450



**Contact us**

To find out more about NAB Dual Currency Investments please call us on 1800 865 155 (8:30am to 5:30pm EST Monday to Friday), or contact your NAB Private Wealth Investment Specialist.

11 December 2024

**General advice warning**

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