



The Enhanced Yield Deposit (EYD)

The EYD is a short-term deposit that clients make in one currency in anticipation of converting to an alternate currency which they have to purchase in the future for their business (e.g., invoice payment or transfer). The enhanced yield is calculated when making the deposit based on the term or the length of the deposit, the volatility of the currency pair involved, and the agreed Exchange Rate ("strike").

Benefits to clients:

- **Potential for higher total rate of return:** EYD can provide a total return that is higher than prevailing interest rates or yields.
- **Flexible Maturities:** The deposit maturities can vary from 1 week to 1 year.
- **Available in Several Currencies:** The EYD can be made in many currencies, including Australian Dollars, Canadian Dollars, Swiss Francs, British Pounds, Euros, Japanese Yen, Mexican Peso, New Zealand Dollars, South African Rand, Singapore Dollars and US Dollars.

In exchange for the enhanced yield, the client *must be willing* to accept the possibility their deposit may or may not be converted at the agreed Exchange Rate. At expiration, if the prevailing exchange rate is *in the money*, the deposit currency will be converted to the alternate currency. If the prevailing exchange rate is *out of the money*, no conversion will take place.

Example 1

Client has an obligation in 2 weeks to pay Mexican Pesos.

Client has US \$1,000,000 on deposit and will purchase the Mexican Pesos in 2 weeks to meet his obligation.

The 2-week EYD can be used to predetermine the date and FX rate of the purchase and generate an enhanced yield.

The yield is calculated and generated for the client by Monex USA by selling a covered call USD or put MXN option to their counter party banks. Because the option is covered or funded by the deposit, there is NO counterparty risk.

Current Spot Rate	20.50
Term	1 week
Deposit Currency	\$1,000,000.00
Strike	21.00
Alternative Currency	Mexican Pesos (MXN)
Premium Earned	\$2,300
Transaction Date	1-Feb-21
EYD Expiration	15-Feb-21
Deposit Maturity	17-Feb-21
Alternative Currency Amount	MXN 21,048,300.00
ANNUALIZED YIELD	6.37%

If the initial deposit is NOT converted and returned to the client due to prevailing market conditions in which the market rate at maturity is below the agreed Exchange Rate then the client has the option of rolling over the deposit into another EYD deposit or choose to convert to the currency the client needs to purchase for their business at the prevailing exchange rate in the market.

Features of the EYD

- The EYD is not a hedging tool; it is designed to allow clients to monetize their cash deposit and its value of money by allowing Monex USA to sell a covered call option and collect yield ("option premium").
- The EYD can be structured as short as 1 week or as long as 1 year, and it can be structured to fit any odd date the client wants.
- Clients can structure EYD's using any convertible currency vs any other convertible currency. It is not limited to USD deposits.
- The yield of the EYD is established on the trade date and will not change during the term of the deposit. The enhanced yield is a combination of interest rate and the option premium.

Example 2

The client is holding USD in an account in anticipation of purchasing materials which must be paid in EUR.

The client has US \$1,000,000 and enters into an EYD transaction for a 1 week term at an agreed Exchange Rate (#strike") of 1.175. The client earns a premium of \$954 which represents a 3.81% annualized yield.

At the end of the 1 week term, if the currency is trading *in the money*, the US \$1,000,000 will be converted to EUR at the rate of 1.175 for a total of EUR 851,876 (including the premium).

If at the end of the 1 week term, the currency is trading *out of the money*, NO conversion will take place and the client's deposit and premium will be US \$1,000,954.

In this scenario, the client can decide to enter into a new EYD transaction or convert to EUR at the prevailing market rate.

Current Spot Rate	1.19
Term	1 week
Deposit Currency	\$ 1,000,000.00
Strike	1.2195
Alternative Currency	Euro (EUR)
Premium Earned	\$954
Transaction Date	17-Mar-21
EYD Expiration	24-Mar-21
Deposit Maturity	26-Mar-21
Alternative Currency Amount	EUR 851,875.74
ANNUALIZED YIELD	3.81%

Product Specifications

- At expiration, Monex USA will notify the client if the EYD is in the money or out of the money.
- The notional amount deposited by the client may not be less than US \$200,000 or the equivalent in the alternate currency.
- The EYD is non-transferable and non-negotiable. Once the client enters into an EYD, they are required to hold it until the option expires and the deposit repayment occurs.
- The EYD does not offer an early withdrawal feature and is not FDIC insured.

Ready to explore the potential gain of an EYD? Visit MonexUSA.com/EYD

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