

Case Study **Enhanced Yield Deposit Account** *Monthly Payroll Payments*



As a leading provider of corporate foreign exchange (FX) and global payment solutions, we focus on understanding our client's business to tailor our products and services to best manage their currency needs. The following case study illustrates how Monex USA helped a client earn a yield on funds being held for an upcoming payment.



Scenario

A US-based client pays its payroll in Mexican peso (MXN) once a month. This agricultural importer based in Laredo, Texas, has a facility located in Mexico that produces avocados and other vegetables. The client needs to fund payroll at the end of every month to the tune of 8-10 million Mexican pesos.



Challenge

The client currently buys MXN on the spot market at the end of each month. On average, the client has anywhere from 400-500K US dollars (USD) sitting in a USD account that is currently gaining no interest from the bank.



Strategy

The client decides to take advantage of an Enhanced Yield Deposit (EYD) Account with Monex USA. The client sells weekly covered call options for 400K USD with a one-week date of expiration. The yield from each option is \$460 with an annualized yield of 5.18%. The client decides on a 20% delta, meaning the option has a one in five chance of being executed if the option is not executed, the client sells another covered call. If none of the options are executed throughout the month, the client purchases MXN, as usual, in the spot market.



Outcome

By entering four EYDs throughout the month, the client nets \$1840 USD in premium with a 5.18% annualized yield—compared to 0.0% with their bank. The client still purchases MXN at a competitive rate for their monthly payroll needs.



*“It all boils down to **relationship** where you feel **comfortable** and **taken care of** with somebody that deals with the **(FX) market every day** and only does this—it is where I want to be **aligned.**”*