

## Best in Ireland

### Bank of Ireland



**Brian Vaughan**, Bank of Ireland

> “At Bank of Ireland (BOI), we structure all of our own products,” says Brian Vaughan, associate director of the structured business desk for the Dublin-based bank. “Where an exposure exists that is not of interest for trading purposes, the position will either be maintained within a hedging portfolio in the short term or eliminated in the market, typically via vanilla derivatives. Complete product packages are almost never purchased from other banks, as there is a centralised dealing desk for the entire bank.”

BOI may be a savvy structurer (also serving as product structurer for Bristol & West and Britannia in the UK) but it is also a top-class distributor. And its commitment to launching innovative products – seeing them through from design to the ultimate distribution pathways – knows no bounds.

BOI has a wide variety of distribution channels both at the retail, so called mass-affluent and high-net-worth levels. Bank of Ireland Private Banking is the largest such institution in Ireland, DAVY is the country’s largest stockbroker and the BOI retail branch network is exhaustive. What’s more, leading Irish credit unions, stockbrokers, wealth managers, fund managers and insurance companies also distribute BOI products.

“We are proactive in producing detailed product marketing materials aimed at our main distributors,” Vaughan notes, “including running innovative product workshops which encompass both local and European structured product market review and highlight innovative products we believe are applicable to their investor base.”

Notably BOI has been active in widening its investment product capabilities away from equities towards commodities and new asset classes such as hedge funds and currency plays, Vaughan adds.

Earlier this year, BOI also became the first bank in the country to

offer a capital guarantee on one of its own funds via a CPPI mechanism. Launched in 1971, New Ireland’s Evergreen Fund is the longest-running managed fund in the country and is more diversified than most other managed funds, with 20% to 30% invested in commercial property. The Guaranteed Evergreen Fund, however, guarantees an investor’s initial capital on the sixth anniversary of the initial investment with 80% initially invested in the Evergreen fund and 20% invested in fixed-interest bonds. The minimum investment is €5,000.

BOI also offered an FTSE Outperformer product, measuring the relative performance of the FTSE 100 against the FTSE 250 – the first such investment in the Irish retail space.

Like many distributors, BOI has also launched commodity-linked products. Interestingly, however, BOI decided copper was the way forward. The Copper Bond, offered by Merrion Stockbrokers, offers 100% capital security from BOI and 160% participation based on the official settlement price per tonne of copper at the London Metal Exchange for cash delivery, stated in US dollars. The six-year product has no cap on potential returns.

Other innovative products coming from the BOI stable include the BCP Quadruple Growth Bond 9, which pays investors four times the average growth achieved by an equity basket of 25 shares up to a maximum return of 46%, equivalent to 13.1% gross per annum over the three-and-half-year investment term, with 90% capital security provided by BOI. For investors who want higher capital security the Double Growth Bond 16 returns 200% of the growth of the same basket up to a maximum of 27%, equivalent to 7.7% gross per annum, with 99% capital security provided by BOI.

Vaughan has also worked on products with more unusual underlyings. He points out that BOI has capabilities in freight derivatives, for example, and believes structured products will one day be linked to this market.

The BOI team has grown fivefold in two years, Vaughan adds, with revenues up 300%. And the bank has a few more innovations up its sleeves. It plans to partner with institutions in the US to market BOI branded products.

#### Why Bank of Ireland won

Bank of Ireland is an anomaly in many ways: it’s both a top class structurer and a force to be reckoned with when it comes to distribution. Its brand appeal is unparalleled in Ireland.

## Distributors