



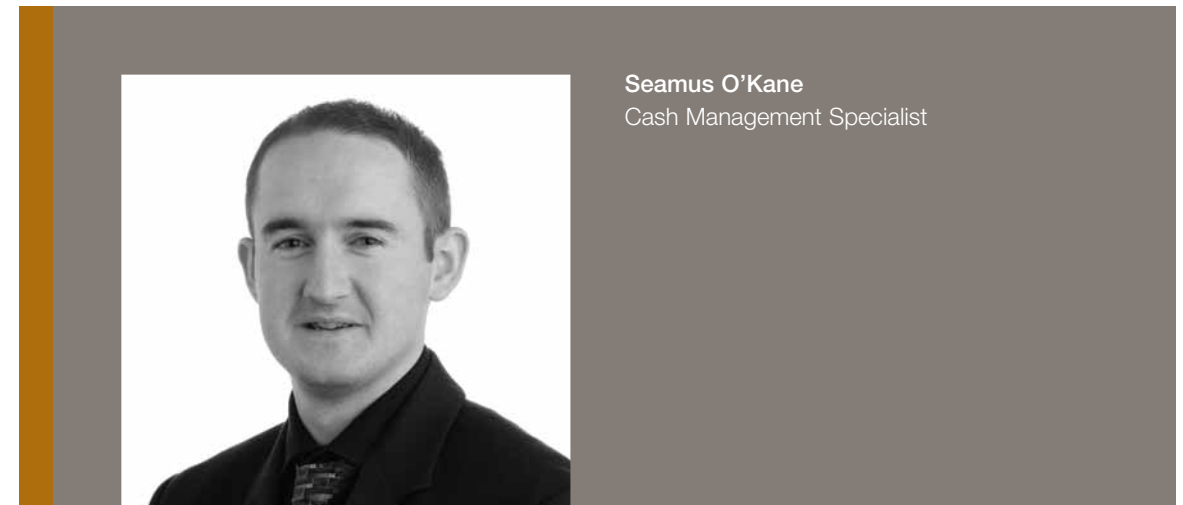
A tailored cash management strategy can be adopted to meet the specific cash management needs of companies.

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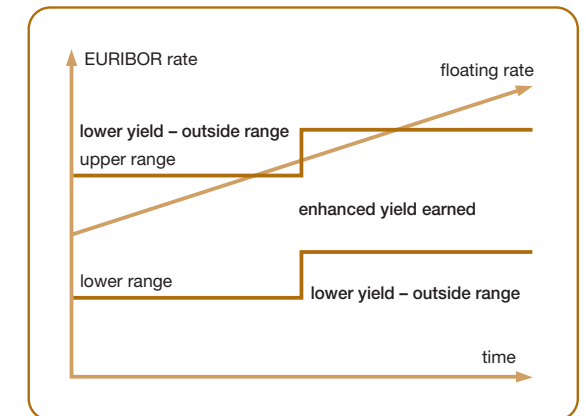


Seamus O'Kane
Cash Management Specialist

The Global Products Team regularly carry out business reviews to help you identify potential financial risks in your business and design structured products in line with your requirements to address those risks. In this case, we reviewed a client's investment portfolio.

We worked closely with our client to understand their objectives and the investment assets they held. They were risk averse and weren't prepared to invest in underlying assets or markets they hadn't fully researched. Their portfolio had a large holding in cash and some exposure to equities. We were able to identify that there was potential to earn enhanced yields through the use of a structured derivative product. As most of the portfolio possessed liquid assets there was an opportunity to invest in a longer term structure centred on the interest rate view our customer held.

They believed that European interest rates weren't going to increase as rapidly as was being anticipated by the market and many economists. Given this, we proposed an interest rate Range Accrual over a 5 year investment horizon. The product worked simply by giving an enhanced yield for each day that the 3 month EURIBOR rate set within the predetermined range selected by our client, and a lower yield if the 3 month rate set outside this range.



In designing the product there was an inevitable trade-off between the enhanced yield and the risk the client was willing to take on through the width of the range, with different ranges selected for each year. We formulated a number of different scenarios, each time conducting an analysis to examine the likelihood that interest rates would deviate from the view held and the consequences if they did. We then presented the product ideas, allowing our client to make an informed decision and arrive at a product which fulfilled their criteria.