

Central Bank of Ireland Structured Retail Product (SRP) – Industry Letter



As you may have seen in the press recently the Central Bank of Ireland (CBI) conducted a themed inspection on SRPs in the Irish market. This followed a similar inspection in the UK in 2015, which covered both deposit and note based SRPs. One of the industry concerns highlighted by the CBI was the sales and marketing practices around Credit Linked Notes (CLNs). Their concerns centred on the complexity and risk profile of these products which have their capital protection element linked to the credit worthiness of multiple counterparties. The CBI have concerns that the risks associated with these products were not being adequately highlighted to consumers.

We welcome the CBI's industry findings which can only serve to further protect consumers and provide clear guidance for all SRP producers and distributors.

Wealth Options Ltd issued 13 CLNs between June 2015 and January 2016. Of these, 7 were available to retail customers via intermediaries. Each of our CLNs passed strict internal product governance procedures and all of the credit reference entities were investment grade with internally approved credit default swaps. We are also satisfied that the risks associated with these products were sufficiently highlighted in any marketing material issued. Wealth Options continually monitors the credit default swaps of all of the credit reference entities. The CBI have asked us to provide them with details of all of the CLNs issued and the names of the intermediaries who sold them, which we have provided them with.

We had taken a decision internally in January of this year not to issue any more CLNs following an examination of the potential impact of MiFID II on intermediaries. However, we will continue to issue SRPs into the future alongside our pension structures and alternative investment offerings.

If you have any queries on this matter please do not hesitate to contact your Business Development Manager or our Marketing Department on 045 882281.



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