The Banker
Investment Banking Awards 2010

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With the two-year anniversary of Lehman Brothers' demise just passed, investment banks still face a difficult environment. If the crisis is over, long-term challenges have intensified. Banks await the final shape of US financial reform as legislators tinker with implementing the provisions of the Dodd-Frank Act. And while they heaved a sigh of relief at the general thrust of Basel III, questions remain about what will happen to portions of bank capital – such as lower Tier 2 and other subordinated instruments.

Some believe that banks' recovery from the crisis may already have peaked. With developed world economies still sluggish, high-profile bank analyst Meredith Whitney has predicted that securities firms around the world will have to cut as many as 80,000 jobs in the next 18 months as revenue growth begins to slow.

Against this uncertain backdrop, markets continue to be jittery and unpredictable, swinging from risk aversion to risk appetite. At the same time as equity markets suffer from such volatility, leveraged buy-out funds are back in business. Few bankers are prepared to say where they think markets will be in one month, let alone six or 12 months.

CERTAINTY AMID UNCERTAINTY

Getting things right in such choppy waters is no easy task, but if the entries for *The Banker*'s Investment Banking Awards are anything to go by, the world's investment banks are doing a fair job. All of the global economy's key themes were evident in the Investment Banking Awards entries – with some of the closest competition in categories such as sovereign advisory, restructuring, risk management and bank capital.

Other themes are a hangover from the financial crisis. The Lehman bankruptcy was followed by confusion about the client assets held in its prime brokerage; this year, the protection of client assets in newly created bankruptcy remote vehicles was a central pillar in prime brokerage entries.

And while investment bankers remain under fire for anything from black-box trading to outsized bonuses, the value they add to clients was written in bold in our entries. The quality of the entries – and the effort for clients that they represent – has never been higher. And this year, we saw more evidence than ever before of integration across banks' businesses; solutions for clients that drew expertise from multiple business silos, and often across multiple geographies.

Every year *The Banker*'s Investment Banking Awards try to move away from measuring quality only by scale, to focus in on genuine value creation for clients and markets. Our distinguished panel of independent judges – whose knowledge and skills come from every area of the market and every part of the globe (see page 56) – were looking for transactions that generate real cost savings, real risk reduction or real returns for clients.

Yet again, *The Banker*'s awards showcase the tremendous value that this industry can deliver. TB

Categories

- **Most innovative investment bank**
- **Most innovative investment bank for corporates**
- **Most innovative team**
- **Most innovative investment bank for growth companies**
- **Most innovative boutique**

MOST INNOVATIVE INVESTMENT BANK FROM:

- **Latin America**
- **North America**
- **Asia**
- **Africa**
- **Western Europe**
- **Central and eastern Europe**
- **The Middle East**

MOST INNOVATIVE INVESTMENT BANK FOR:

- Bank capital
- Bonds
- Climate change and sustainability
- Commodities
- Equity linked
- Equity derivatives
- Interest rate derivatives
- Retail structured products
- Structured finance
- Initial public offerings
- Loans and leveraged finance
- Islamic finance
- Infrastructure and project finance
- Prime brokerage
- Asset and liability management
- Restructuring
- Risk management
- Foreign exchange
- Mergers and acquisitions
- Inflation products

MOST INNOVATIVE INVESTMENT BANK

WINNER: CREDIT SUISSE

When The Banker made Credit Suisse its Investment Bank of the Year in 2007, some considered it a premature choice. Brady Dougan had only just taken the helm at group level and the bank was still in the early stages of its new strategy.

Now, its investment bank is increasingly held up as a model that others should emulate. It has a conservative model based on capital efficiency and low risk. It has led the industry in terms of transparency about market positions. It has applied fresh thinking to the dialogue about compensation.

There can be little doubt that the bank's new model is working. For four of the past five quarters, pre-tax returns on capital within the investment bank have been between 37% and 40%. In 2009, the bank's return on equity was 18% – second only to Goldman Sachs at 23%; in the first quarter of this year that rose to 22%. Yet while Goldman had risk-weighted assets of $432bn, Credit Suisse had RWAs of just $215bn.

Credit Suisse's success is evident in the league tables, where it has top 10, and often top five, positions in most of the major business lines. It may not be generating the very highest revenues, but this is not the point, says Eric Varvel, who took over as CEO in June.

"Our model is not built to drive the highest revenues or the highest return on equity in a single quarter or a single year. It is designed to provide attractive returns to our investors over a cycle."

That does not mean that the bank is not focused on growth. Mr Varvel believes that both top-line revenue and market share growth is there for the taking. It has seen some good upward movement in its investment banking business. In the US, where it had been lagging behind its competitors, management changes and senior hires have paid off. It has also seen gains across its equity businesses, and Mr Varvel says the bank is well positioned to capitalise on the return of risk appetite and greater clarity around regulatory and political developments.

Similarly, Credit Suisse has some strong fixed-income businesses – including residential mortgages and leveraged finance – and given market positions, and increased volume and activity in both businesses, Mr Varvel expects significant gains. Over the past year, the bank has been building out rates, FX and credit, and the flow business associated with those.

"Last year, we increased our sales force by a third and invested in our technology platforms. As a result, we are starting to see market share and revenue gains and expect that to build in the coming year," he says. "Given our brand and momentum, increased share is for us to take, but it will come down to how well we execute."

EMERGING MARKETS PUSH

The biggest push, however, is building on Credit Suisse's existing strength in the emerging markets. The bank has rethought how it organises the business. Previously, emerging markets were lost inside product lines and regional businesses, now the bank has broken it out as a separate business and strategy. A central pillar of that is the creation of a Global Emerging Markets Council – comprising the heads of the largest countries and products, and regional CEOs – which will meet regularly to share best practice and generate opportunities.

OUR MODEL IS NOT BUILT TO DRIVE THE HIGHEST REVENUES OR THE HIGHEST RETURN ON EQUITY IN A SINGLE QUARTER OR A SINGLE YEAR. IT IS DESIGNED TO PROVIDE ATTRACTIVE RETURNS TO OUR INVESTORS OVER A CYCLE

Eric Varvel

This is much more than a talking shop, says Mr Varvel. "The structure ensures real connectivity between regions and businesses and makes the country CEOs accountable for growing cross-border business. It makes it much easier for each country CEO to tap into the bank's global network to execute business for their clients, for example; perhaps finding an anchor investor that a client needs for an initial public offering. We are seeing a lot of connectivity across markets from Asia to the Middle East to Latin America. The Council brings together the knowledge of our clients and the capabilities of the bank in a systematic way."

MEETING CHALLENGES

There are challenges ahead. But the bank is approaching them with what is fast becoming a Credit Suisse characteristic: creativity.

The new conservative capital model puts constraints on the business; capital efficient also means capital light. In one of its businesses, the bank has come up with a clever solution. Credit Suisse used to run a large structured credit book in the emerging markets, providing seed capital to clients that could not raise it in the public markets. Under its new capital efficiency regime, a big structured credit book is out of the question. To ensure it did not lose those clients, the bank raised $750m from its shareholder base – adding to its own capital of $250m – to create the Emerging Markets Credit Fund, which will be managed by Credit Suisse specialists out of the asset management business.

"This third-party capital model gives us an additional means to provide capital to emerging market corporates, leveraging our strong track record in emerging markets credit," says Mr Varvel.

As risk appetite returns, Mr Varvel says the bank is under no illusions that its conservative model may make it hard to "overachieve" in comparison to competitors who take on more risk. But that is the point, says Mr Varvel: Credit Suisse's business will be less risky. "We have created a different model, one focused on clients and capital efficiency that takes less illiquid and proprietary risk than many of our competitors."

Investment Banking Awards 2010: Judges

Jeremy Amias is a founding partner of Amias Berman & Co, based in Hong Kong. Prior to that, he was COO for global resources firm Noble Group. Previously, he headed fixed income sales, trading and origination in the Asia-Pacific region for Citigroup.

Philip Alexander is finance editor, *The Banker*.

Zeshan Ashiq is the founding partner of structured finance and securitisation firm Shooters Hill Capital. Previously, he worked at Financial Security Assurance, where he was jointly responsible for European collaterised debt obligations. He also oversaw arbitrage and regulatory capital-driven transactions utilising funded and synthetic risk-transfer structures backed by investment-grade and high-yield corporate risk.

Saad Azhari is chairman of the board and general manager of Blom Bank, and chairman and general manager of Blominvest Bank. His CV includes stints at the Swiss Options and Financial Futures Exchange and PBZ Privatbank, an affiliate of UBS. He is vice-president of the Association of Banks in Lebanon.

Dr Freddie Baz is group chief financial officer and strategy director for Bank Audi. Alongside his responsibility for finance and budgeting functions, he is responsible for development of group strategy. He is a board member for Bank Audi and chairman of the board for Bank Audi Saradar in France.

Robert Binder, manages the Criatec Fund, the largest seed capital fund in Latin America. During his 40-year career, he has founded Antera Gestão de Recursos, the Brazilian Venture Capital Association and Brazilian market-making firm Bovespa. He has also previously worked as chief financial officer for Texaco Brazil.

Benoit d'Angelin is a founding partner of advisory boutique Ondra Partners. Previously, he was CEO of Centaurus Capital, and before that, co-head of investment banking for Lehman Brothers in Europe. Previous roles include working in capital markets for BNP Paribas.

Marcia Favale-Tarter is an independent advisor to BTA Bank and Alliance Bank. She is also a senior advisor to the Office of the Prime Minister of Kazakhstan regarding the country's financial sector and debt restructuring. Previous roles have included portfolio manager for Advent Capital and Brevan Howard, and head of CEEMEA and Latin America corporate bond research at UBS.

Dr Caleb Fundanga is governor of the Bank of Zambia. Previously, he served as senior advisor to the president of the African Development Bank. Before joining the ADB, Dr Fundanga held several senior positions in the Zambian government. In 2007, he was named *The Banker*'s Central Banker of the Year.

Nassib Ghobril is the chief economist and head of economic research and analysis at Byblos Bank Group. Previous roles have included head of research posts at Sandar Investment House and Lebanon Invest.

Lado Gurgenidze is co-founder of Liberty Investments, which focuses on financial services institutions in frontier markets. In 2006, he took time out of his banking career – which has included senior roles at ABM Amro, Putnam Lovell and as head of Bank of Georgia – to host the Georgian version of The Apprentice TV show. In 2007 and 2008, Mr Gurgenidze served as the prime minister of Georgia.

Professor Roszaini Haniffa is professor of accounting at Bradford University School of Management. She is the examiner for the Association of International Accountants and the Bahrain Institute of Banking and Finance, and the joint editor of the *Journal of Islamic Accounting and Business Research*.

Andrew Harrington, is co-founder of AHV Associates, a corporate finance advisor to privately owned businesses. In 1998, he founded the UK's first convergent telecommunications service provider. Previous banking firms worked for include Salomon Brothers and BZW.

Dawid Konotey-Ahulu is co-chief executive of investment consultancy Redington. Before founding Redington, he was responsible for Merrill Lynch's pensions and insurance group, Europe. Before banking, he qualified as a barrister of Lincoln's Inn.

Geraldine Lambe is markets and investment banking editor, *The Banker*.

Hubert Pandza is a non-executive director at several banks and corporates from eastern Europe, and advises companies on their investments in the region. Previous roles include CEO at Deutsche Bank Moscow and business group director at the European Bank for Reconstruction and Development.

Mark Richards is a partner and head of the global financial services sector team at Actis, which specialises in private equity investment in emerging markets. Previously he spent 18 years at Barclays Bank, where roles included CFO of Barclays International Banking.

Zubyr Soomro is chairman of the Karachi Stock Exchange. Prior to that, he played a key role in Pakistan's financial sector reform as chairman and president of the now privatised United Bank. Previously, he had a long and international career at Citi.

Alejandro Valenzuela is CEO of Banorte. Earlier roles include director of international affairs at Banco de Mexico, chief of staff for Mexico's minster of finance and public credit, managing director for International Treasury Affairs and director of public debt and external trade financing.

Anthony Williams is non-executive director of FBN Bank, the London-based subsidiary of First Bank of Nigeria. For 20 years he was responsible for HSBC's sub-Saharan African business. Early roles include stints in Sudan and Cameroon for Barclays Bank and manager of Gulf Financial Services in Bahrain.

Brendan Wood is the founder of Brendan Wood International, a capital markets consultancy which specialises in transaction debriefings and performance reporting.

Samir Assaf, head of global markets, HSBC

MOST INNOVATIVE INVESTMENT BANK FOR CORPORATES
WINNER: HSBC

Regulators seem unsure about what they want from investment banks. Measures to discourage proprietary trading accompany suggestions to split investment banks from plain vanilla banking. Yet, the most highly integrated corporate and investment banking models generally withstood the crisis better than their peers, and are also more likely to generate revenues from serving clients rather than playing the markets.

In recognition of this, *The Banker* created a special award for a bank that has harnessed its investment banking capabilities most effectively for its corporate banking clients, and HSBC was the clear winner. The group created its combined global banking and markets business in 2008, which included merging its market-leading project finance team with its resources and energy sector corporate banking coverage.

The bank also merged the origination side in 2009 into a single global capital financing group across equity and debt capital markets, structured and leveraged finance, to deliver financing seamlessly in the most appropriate format, with an integrated derivatives team supporting all aspects of the financing business. Capital allocation decisions can then be made according to each client, on a multi-product basis.

"We have created an integrated model that starts with coverage of the client, product support for the client on the primary market side, then trading, sales and research on the secondary side to support coverage efforts," says Samir Assaf, HSBC's head of global markets.

For Spencer Lake, head of debt capital markets (DCM) at HSBC, this fluent set-up is vital to adjust to each key theme that appears in today's volatile market conditions. As bank lending became scarce, HSBC took the lead in allowing unrated corporates to access capital markets, including Thomas Cook, Air France and Evonik.

"We have had a huge number of wins in the event space that bring together those different competencies, plus balance sheet strength and the ability to derisk into the capital markets. That is important for clients who are moving as the world changes," says Mr Lake.

Robin Phillips, HSBC's head of global banking, cites the rise of investment flows into, from and between emerging markets as another theme that plays directly to the bank's genuinely global footprint. Recent ground-breaking deals for HSBC included the first primary listing of a French beauty products retailer company L'Occitane in Hong Kong, and European power firm ABB's stake enhancement in its Indian subsidiary, which is the largest voluntary offer by a foreign company in India and achieved full acceptance.

MOST INNOVATIVE TEAM
WINNER: LAZARD
Shortlisted: HSBC (bonds) and Credit Suisse (bank capital)

MOST INNOVATIVE INVESTMENT BANK FOR SOVEREIGN ADVISORY
WINNER: LAZARD
Shortlisted: HSBC and Rothschild

The sovereign advisory space continues to be a busy and demanding discipline. As Western governments continue to grapple with budget deficits and sluggish economies, governments from the developing world face other challenges, including for some the new requirement to manage the dark art of financial communications with capital markets and ratings agencies.

The traditional sovereign advisory business has centred on working with governments in areas such as fiscal policy and debt restructuring, and on public sector restructuring – latterly focused on the banking sector –and these continue to be major drivers for advisory business. More recently, however, the ability to give governments advice on their communications around the financial markets has become a more important weapon in the sovereign advisor's armoury.

"Emerging market governments are by and large in better shape in terms of fiscal stability and growth prospects, and we continue to do a lot of work with them on their financial strategy. Advice from non-conflicted institutions such as Lazard is critical to enable sovereigns to negotiate the best possible placement terms with banks and investors. But our knowledge of rating agencies' methodology is of paramount importance in today's world in assisting governments to design appropriate financial strategies," says Matthieu Pigasse, head of the sovereign advisory group at Lazard.

Matthieu Pigasse, head of the sovereign advisory group, Lazard

In a bid to give it an edge in terms of understanding what the markets and ratings agencies need to know, Lazard, which wins this award for the second year in a row, recently hired Pierre Cailleteau, previously head of sovereign ratings at Moody's.

Lazard has won some of the biggest mandates this year, including the twin roles of advising the Greek government on its financing strategy and assessing the strength of the country's banking sector. Other key mandates are for Alliance Bank and BTA Bank in Kazakhstan. For Alliance, Lazard was retained as exclusive financial advisor to initiate its \$4.5bn foreign and domestic debt restructuring, and by BTA as financial advisor to initiate the \$12.2bn debt restructuring.

The bank also advised the government of Côte d'Ivoire in the exchange of its \$2.9bn defaulted Brady bonds for a new 23-year bond totalling \$2.3bn. With an acceptance rate of almost 100%, this represents the largest sovereign international bond in Africa.

MOST INNOVATIVE INVESTMENT BANK FOR GROWTH COMPANIES

WINNER: **JEFFERIES**
Shortlisted: **Houlihan Lokey**

Jefferies officially entered the futures business in September, when it announced the hiring of a rival firm's CEO and the foundation of an entirely new division for the firm. This gutsy move, and its membership of upstart trade group the Swaps and Derivatives Markets Association, which has emerged as an opponent of big banks' dominance of the derivatives space, tells you all you need to know about Jefferies. It has big ambitions and will fight to achieve them.

The firm no doubt hopes that new regulations covering over-the-counter derivatives offer a unique opportunity to gain market share. But at such an uncertain time for the industry, this is still a risky strategy.

This does not phase chairman and CEO Rich Handler. "We have found it is usually smarter to invest more heavily in times of uncertainty because the opportunities are abundant and usually more reasonably priced," he says.

The audacious bid is typical of the firm, which has transformed itself in the past couple of years, rapidly adding product lines and headcount.

"We have never had headcount targets or business mix goals," says Mr Handler. "Instead, we strive for continual improvement and are constantly on the look-out for individuals, teams and businesses that can leverage our existing businesses, are high-integrity and client-oriented. We try our best to be focused, opportunistic and patient at the right times."

WE NEVER HAD HEADCOUNT TARGETS... WE STRIVE FOR CONTINUAL IMPROVEMENT AND ARE CONSTANTLY ON THE LOOK-OUT FOR INDIVIDUALS, TEAMS AND BUSINESSES THAT CAN LEVERAGE OUR EXISTING BUSINESSES ***Rich Handler***

The firm is winning a lot of business. Since the start of 2009, Jefferies has executed more than 1300 transactions valued at more than $397bn; including 516 advisory mandates, 136 equity transactions, 588 debt offerings and 69 lead arranged loans.

And, while it may focus on growth companies, it also works on some very big deals – including as financial advisor to energy company XTO in its $41bn acquisition by Exxon Mobil and as sole financial advisor to Statoil in the $3bn sale of 40% of the Peregrino field off Brazil to Sinochem.

As Jefferies continues to grow so aggressively, will the firm's collegiate culture – which it sees as a real differentiator – come under threat? Absolutely not, says Mr Handler.

"Even with 3000 people globally, individuals and small groups of people can still make a big difference. We work hard to make sure our new hires have the same values as our existing partners. There is no place for arrogance, gamesmanship, politics or bureaucracy at Jefferies."


Ken Moelis, founder, Moelis & Company

MOST INNOVATIVE BOUTIQUE

WINNER: **MOELIS & COMPANY**
Shortlisted: **Evercore Partners**

Only three years old, Moelis & Company is already punching well above its weight. In the past 12 months it has won some seriously weighty mandates, including key roles in the $26bn landmark Dubai World restructuring, the $1.6bn sale of GLG to Man Group, and the $1.6bn merger of Pilot with Flying J.

Not unnaturally, founder Ken Moelis says it is because his firm is focused on delivering independent advice. He adds that he is often misquoted as saying that investment banks which grew too big – when the business became all about balance sheet – lost the ability to offer that kind of service. But it is not about size, he says, it is about focus and culture.

"That, and quality of advice, is what you have to deliver to clients," says Mr Moelis, who describes himself as an investment banker to the bone. "It's important to be big enough to capture enough of the information flow – because that's what adds value to the client proposition; but in the process you mustn't lose the partnership culture which ensures that you put your client first. Too many banks end up with the team in New York competing with the team in London, and that adds no value to the client."

In Moelis' flat partnership structure, nearly every banker is a managing director. The firm hires people who get the culture and gets rid of the people who do not.

"We have one global bonus pool and we only do well if we do well as a firm," says Mark Aedy, who heads up the firm's Europe, Middle East and Africa business. "There is 'no eat what you kill' mentality here; that undermines the soul of a partnership, and encourages people to push through deals at virtually any cost to get their numbers up."

The firm's 'client-first' strategy is certainly getting it mandates. Moelis won its place advising the Dubai government on the Dubai World restructuring having previously advised Dubai World on the renegotiation of its agreements with MGM Mirage around the troubled CityCenter project in Las Vegas. From Moelis' viewpoint, the process highlighted the conflicts that lending banks face when they also offer advisory services.

Mr Moelis believes that in the new regulatory environment, independents will gain more market share. "There will be no more giving away long-tail risk for short-term gain. From now on, capital will be priced more accurately; that leaves companies free to unbundle capital from advice and go and get their advice from whomever they want. Clients know the real value of long-term relationships and independent advice."

THERE IS 'NO EAT WHAT YOU KILL' MENTALITY HERE ***Mark Aedy***

Fernando Larrain, chief executive, Larrain Vial

BEST INVESTMENT BANK FROM LATIN AMERICA

WINNER: LARRAIN VIAL
Shortlisted: Itau' BBA

Over the course of the past eight decades, Larrain Vial has grown from a securities brokerage firm to a full-service investment bank offering services to retail, corporate and institutional clients.

Last year saw Larrain Vial involved in a number of deals that were as varied as they were innovative. Chief executive Fernando Larrain is proud of the bank's achievements and of how a conservative firm has so successfully managed to grow and service clients both within and outside of its home market of Chile.

"We're an independent firm; we follow traditional industry principles: we trade as an agent, we never trade on our own account."

Mr Larrain believes that the firm's independence has played a significant role in securing new deals. "The principles that made us boring, so to speak, a few years ago, now make us really competitive."

The bond issue for Transelec, Chile's largest electricity transmission company, is representative of a portfolio of well-structured and successfully executed deals. Local currency notes were issued to finance a simultaneous conditional tender offer of $300m in the US, with the aim of repurchasing existing bonds. The complex liability management exercise allowed Transelec to restructure its debt, which was at higher levels than that of peers following the leveraged buyout by BAM Consortium in 2006. The local currency bond achieved the lowest spread compared with similarly rated companies who issued in the same year.

In the equity markets, the initial public offering for casino company Enjoy was the only Chilean business to list in 2009. The transaction enabled Enjoy to raise capital at a time when liquidity was scarce, and financed a series of expansion projects including a domestic acquisition.

Outside of Chile, Larrain Vial's client portfolio includes Peru's largest lender, Banco de Credito del Peru, for whom Larrain Vial structured a $107m, five-year bond that raised money in the Chilean market and, according to Larrain Vial, became the most highly traded bond in Chile last year.

"We'd like to be a firm that introduces international investors to [South America]," says Mr Larrain. "We're expanding [our model] to Peru and Colombia and we [already] have research [coverage] for Peruvian and Colombian companies. We pride ourselves on being local in those markets, because we've been in those markets for many years."

> THE PRINCIPLES THAT MADE US BORING... NOW MAKE US REALLY COMPETITIVE *Fernando Larrain*

BEST INVESTMENT BANK FROM NORTH AMERICA

WINNER: BANK OF AMERICA MERRILL LYNCH
Shortlisted: JPMorgan

Only 18 months ago, Bank of America Merrill Lynch (BAML) was still wracked by integration pain. Now, it is beginning to demonstrate that all the suffering has been worthwhile. Often in top five or higher positions in the global league tables for loans, bonds, equities and mergers and acquisitions, the combined entity is flexing its muscles.

Tom Montag, president of global banking and markets at BAML, hesitates to use the word remarkable, but certainly believes the bank has come a long, long way since the dark early days of the painful acquisition.

"I feel incredibly proud about how far we've come," he says. "The evidence is there in every part of the franchise – and not just in the league table businesses. For example, there has been a huge technology push across many areas, such as electronic trading and our corporate cash management businesses. We will soon have a powerful new risk engine. These things are less obvious but incredibly additive to the corporate and investment bank."

Tom Montag, president of global banking and markets, Bank of America Merrill Lynch

To fulfil the bank's ambitions, however, Mr Montag is under no illusions that there is still a long way to go. "Our goal is to be the top international, universal banking group – we still have some work to do. We still have gaps in some businesses and some countries, such as Russia and Vietnam, for example, where we need banking licences. We do not yet have a securities licence in China. But we are working to fill those gaps."

There are as many opportunities as challenges. If BAML's CEO has identified that 75% of the group's revenues are still generated in the US, that means that there is plenty of room to grow the non-US business. The strategy is well under way. The bank has already hired new heads of the bank in Australia, Turkey and India. It has a new head of markets in South Africa and is looking to hire a new head in Russia.

"To give you some idea of how the focus of the business is shifting outside of the US, we have increased international headcount in both our business and support staff, while business headcount is down in the US," says Mr Montag. "Looking at gross domestic product growth figures globally, the logic of that strategy is undeniable."

In general terms, Mr Montag believes that BAML is well positioned for the new regulatory and business environment that is emerging. "We will have to make some adjustments in some of the more capital-intensive assets that we hold, but it will not require a change to the strategy. As the markets become more cash- and less derivative-oriented, we are well positioned both in terms of our financing and capital-raising capabilities for our clients."

BEST INVESTMENT BANK FROM ASIA

WINNER: CIMB INVESTMENT BANK

Malaysian banks are forecast to enjoy earnings expansion this year, helped in no small part by the country's economic recovery, boasting second quarter gross domestic product growth of 8.9% and a surge in private sector activity.

CIMB Group, Malaysia's number one deal-maker, is no exception. In August, CIMB reported a record second-quarter net profit, boosted in large part by a strong rebound in the group's corporate and investment bank.

But although CIMB Investment Bank is headquartered in Malaysia, the institution's top management have worked hard to build what Dato' Charon Wardini Mokhzani, deputy chief executive officer for corporate and investment banking at CIMB Group, describes as a "truly" integrated south-east Asian bank. "That's what we wanted to be: the core south-east Asian markets are everything."

Savvy acquisitions in several markets, including Indonesia, Thailand and Hong Kong, have underpinned this strategy. "We were fortunate because we managed to make some good acquisitions and that has helped give us the scale to achieve this. That has really given us the platform," says Mr Charon.

> THE WHOLE WORLD SEES INDONESIA AS A BIG GROWTH STORY AND WE ARE INCREASINGLY GROWING OUR BUSINESS [THERE]
> *Dato' Charon Wardini Mokhzani*

The Indonesian acquisitions have proved particularly important: the country has been tipped by analysts and the bank's top management to become CIMB's largest market – outstripping its home market of Malaysia.

"The whole world sees Indonesia as a big growth story and we are increasingly growing our business [there]," says Mr Charon. "In the not too distant future, CIMB sees Indonesia as its single biggest income stream – even for the investment bank."

Increasingly lumped together by analysts with the four major BRIC economies, Indonesia is expected to yield a strong initial public offering pipeline in coming months for the investment bank.

It also expects to develop its franchise in Vietnam, having in March received approval from the Vietnam Securities Commission to acquire an equity interest in VFC Securities – now called CIMB Vinashin Securities.

The bank is more cautious, however, on China, where it has acquired a 19.9% stake in Bank of Yingkou, based in China's Yingkou city.

"We're realistic, there's no way we would be able to gain the same size and scale as the big Chinese banks," says Mr Charon. "In that case we may look at smaller companies rather than the biggest deals in China; and we will probably focus more on mid-market deals – but a mid-market deal in China is a pretty sizeable transaction," he adds.

> WE AIM TO BE A LOCALLY RELEVANT INVESTMENT BANK IN OUR MAIN AFRICAN MARKETS
> *Helmut Engelbrecht*

BEST INVESTMENT BANK FROM AFRICA

WINNER: STANDARD BANK

When it comes to leading the capital markets into frontier economies, there is no such thing as plain vanilla, says Helmut Engelbrecht, head of African investment banking at Standard Bank. A $1.6bn power station in Botswana and $330m mining project in Malawi typify the bank's ability to structure deals in a way that finds answers to the distinctive questions that such markets pose, often without the benefit of credit ratings or research coverage by the bulge bracket global banks.

"We aim to be a locally relevant investment bank in our main African markets. Other banks pitched for this business, but we have the knowledge of exactly what the local markets can do and which foreign investors are active in which markets. Mostly, there is local capital, and knowing exactly how deep it goes and when you have to move beyond it is one of our core strengths," says Mr Engelbrecht.

With a subsidiary in Brazil, a stake in Russian brokerage Troika Dialog, and Industrial and Commercial Bank of China (ICBC) as its own 20% shareholder, Standard Bank is also uniquely positioned to capitalise on the growing proportion of investment in Africa that flows from other emerging markets. ICBC provided an $825m 20-year facility as part of the Morupule power station in Botswana, the first large-scale funding jointly arranged between Standard Bank and its shareholder.

"If Africa cannot unlock power, it is going to struggle. Governments understand this, and there are a lot of good discussions going on. Because our own growth depends on participation in the real economic sector, we must help to find a solution – there are some all-bank solutions, but some projects will need finance solutions, so it is a sector we are staying close to," says Mr Engelbrecht.

With bank balance sheets under pressure globally, local debt capital markets continue to develop as an alternative source of financing. Standard Bank led the largest South African municipal bond issue to date, a R2bn ($780m) deal for the city of Cape Town in March 2010, and has a healthy local debt pipeline in South Africa and Nigeria. In addition, Mr Engelbrecht believes some transformative initial public offerings could occur across Africa in 2011 – and Standard Bank will certainly be competing for mandates.

Benoit de Vitry, head of global markets – trading, Europe and head of commodities and emerging markets, Barclays Capital

BEST INVESTMENT BANK FROM WESTERN EUROPE

WINNER: BARCLAYS CAPITAL
Shortlisted: Deutsche Bank and HSBC

IN THE EARLY STAGES of the financial crisis, many analysts were sceptical about the relatively low losses that Barclays was reporting and its strategy to avoid taking help from the UK government. But any niggling doubts have been laid to rest by the bank's performance over the past two years.

The group's 44% increase in the first half of 2010 year-on-year pre-tax profit may have been supported by a number of non-recurring items, but the bank has clearly put in place the building blocks for outperformance. And it is not all about the Lehman Brothers acquisition.

While a good chunk of Barclays Capital's growth momentum is due to the acquisition of Lehman's North American business, that is not the whole picture, says Benoit de Vitry, head of global markets – trading, Europe and head of commodities and emerging markets at Barclays Capital.

"The Lehman acquisition was transformational. Its businesses were very additive to our platform. But much of BarCap's success is down to our strong organic growth over the years and the integrated, flat nature of our structure, which means that there is great communication between product lines and between regions. This flow of information helps to generate ideas and best execution across the business."

If BarCap's equity and merger and acquisition businesses have not yet broken into the very top tier of global investment banking, then it is just a question of time. "While we aim to be in the top three for all of our business lines, it would be unrealistic to believe that we could have achieved that in such a short space of time," says Mr de Vitry. "We have moved a long way towards where we want to be in terms of building out the cash equities business, for example, in Europe and Asia, but this is a three- to five-year strategy."

BarCap's core risk management and debt businesses, however, continue to outperform the rest. As banks continue to derisk, everybody is chasing the flow business. Few have done a better job of getting more of this business than BarCap. The reason for its continued success, says Mr de Vitry, is that it has been a flow monster for several years. "Once you are strong in the flow business, it creates a virtuous circle and more flow comes your way. It enables us to be aggressive in price and volume – to the benefit of our clients."

And he is doubtful that new entrants will be able to take business away from the established flow players. "For most markets there is not enough room for all banks to be flow monsters," he says. "We maintain our position because we continue to invest in our systems and processes, and stay focused on innovating for our clients."

Yuri Soloviev, CEO, VTB Capital

BEST INVESTMENT BANK FROM CENTRAL AND EASTERN EUROPE

WINNER: VTB CAPITAL

IN A COUNTRY WHERE MANY blue-chip companies are state-owned, it helps to be the investment banking arm of a state-owned bank, especially if that bank is the country's second largest corporate lender. But even so, by any measure the past year represented a breakthrough for Russia's VTB Capital. Since hiring Yuri Soloviev from Deutsche Bank as founding CEO in April 2008, the bank has recruited about 750 staff, built around experienced hires from the bulge bracket.

The investment is already beginning to pay off. Even before the financial crisis reached Russia, VTB's strategic plan envisaged that investment banking would reach break-even only from 2010 onwards, yet VTB Capital notched up a net profit of about $500m in 2009. In the process, it is proving the philosophy behind VTB Capital's creation: that international capital markets intermediation in Russia does not have to rely on foreign investment banks that scale back their Russian activities when times get tough in their home markets.

A role in the giant Rusal initial public offering (IPO) ushered VTB Capital into the top 10 bookrunners for European equity capital markets in the first half of 2010. The bank was also third in the league table for Eurobond issuance from the Commonwealth of Independent States (CIS), ahead of top emerging market bond houses such as JPMorgan and Deutsche Bank. And this was before September 2010, when it became the first Russian bank to lead a Ukrainian sovereign Eurobond issue. VTB has also leapfrogged Troika Dialog to become the top bookrunner for rouble bonds.

A Russian bank competing in international markets is not just about size – bringing new techniques to Russia is also part of the agenda. VTB Capital has taken a leading role in supporting the emergence of private equity and venture capital in the local market.

In October 2009, VTB Capital's principal investment arm teamed up with US buyout firm TPG Capital to take a 35% stake in supermarket chain Lenta. The partners have since engaged in a sometimes acrimonious struggle with other shareholders to strengthen Lenta's corporate governance. And in June 2010, another VTB Capital investment, Russian Navigation Technologies, became the first Russian company sponsored by a venture capital incubator to launch an IPO, with the bank acting as financial advisor on the share issue.

> BY ANY MEASURE THE PAST YEAR REPRESENTED A BREAKTHROUGH FOR RUSSIA'S VTB CAPITAL

BEST INVESTMENT BANK FROM THE MIDDLE EAST

WINNER: EFG HERMES

Headquartered in Egypt with a presence across the Gulf states, a controlling stake in Lebanon's Credit Libanais purchased in August 2010, a Jordanian brokerage bought in June 2010 and a Syrian subsidiary opened in March 2010, EFG Hermes has become the first truly pan-Middle Eastern investment bank. Karim Awad, EFG's head of investment banking, says the expansion will capitalise on showing new opportunities to existing Egyptian clients in the first instance, but developing a local client base in each market is central to the bank's longer-term plans.

The Syrian subsidiary has already closed its first transaction, and the country's first cross-border merger and acquisition deal, when acting as sole buy-side advisor for Egyptian real estate company SODIC's purchase of a 50% of Syria's leading developer Palmyra, for $40.5m in June 2010. Mr Awad believes the deal can open the way for companies in Egypt and elsewhere to look on Syria as a viable investment destination.

"The Syrian market is still nascent, but it is full of potential, with attractive demographics. In general, everyone from the target company to the Syrian regulatory authorities was extremely co-operative on every level," says Mr Awad.

In its home market, EFG had such confidence in the distribution capabilities of a debt capital markets business launched in early 2009 that it fully underwrote a bond issue of E£1.5bn ($274m) for local mobile operator Mobinil less than a year later, in January 2010. This was the first time that an Egyptian bond issue had been underwritten purely by an investment bank, without the balance sheet of a commercial bank alongside it.

"We took a calculated risk because we knew the investors to which we could sell the product, we structured the deal properly for them, and it was good from the issuer's perspective because it wanted to raise debt from outside the banking system," says Mr Awad.

The bank has already won follow-up business, launching a bond for E£300m for Orascom Construction Industries, which will be targeted at a similar non-bank investor base. And a combined E£1bn international institutional and local retail initial public offering for agro-industrial firm Juhayna in June 2010 could kick-start a dormant equity market, but Mr Awad says that Egypt will continue to correlate closely with trends in the US and Europe.

> THE SYRIAN MARKET IS STILL NASCENT, BUT IT IS FULL OF POTENTIAL, WITH ATTRACTIVE DEMOGRAPHICS. IN GENERAL, EVERYONE FROM THE TARGET COMPANY TO THE SYRIAN REGULATORY AUTHORITIES WAS EXTREMELY CO-OPERATIVE ON EVERY LEVEL *Karim Awad*

Nick Williams, head of EMEA equity capital markets, Citi

MOST INNOVATIVE INVESTMENT BANK FOR BANK CAPITAL

WINNER: CREDIT SUISSE

Shortlisted: Bank of America Merrill Lynch and HSBC

With uncertainty swirling around the Basel III proposals, banks' asset values suffering volatility in line with financial markets, and investors still reeling from the mass cancellation of coupons and call options on subordinated debt in 2009, it is a wonder that the bank capital market was alive at all in 2010.

Nick Williams, head of EMEA equity capital markets at this year's winner, Credit Suisse, says the strong integration of functions within the investment bank helped navigate volatile times. These facets include advisory services – both for the banks themselves, and for governments grappling with systemic risks – equity and debt capital markets teams, and trading desks that were providing insight into the likely evolution of prices across most asset classes, to help advisory teams calculate possible capital needs.

The work for Bank of Ireland, to which Credit Suisse was lead advisor, provides a striking example of this joined-up approach. In the space of a few months, the Irish bank refinanced maturing obligations using government-guaranteed bonds, transferred assets to Ireland's National Asset Management Agency, and held a simultaneous firm rights issue to the state and key institutional investors, underwritten rights issue in the market, and debt-for-equity exchange offer.

"Our role required the whole firm to give big-picture overall advice, and to be the conductor and opine on how the different constituent parts should interrelate, and then to execute as part of a larger syndicate. To deliver, you have to be up to speed on all the product components," says Mr Williams.

Credit Suisse also helped European banks to maintain access to the Tier 1 market despite regulatory uncertainty surrounding hybrid capital, as joint bookrunner on the €1bn Tier 1 perpetual issued by France's BPCE in March 2010. This allowed the bank to call the bond at par, without penalties, if it ceases to qualify under new capital regulations.

"The BPCE transaction re-opened the European hybrid Tier 1 market, and highlighted for investors that banks might need to replace their current form of capital if new regulations required. The call at par mitigated issuer concerns, while investors took confidence from the potential for grandfathering to reparticipate in this market at current levels," says Sandeep Agarwal, Credit Suisse's head of European financial institutions debt capital markets.

> THE BPCE TRANSACTION RE-OPENED THE EUROPEAN HYBRID TIER 1 MARKET *Sandeep Agarwal*

Spencer Lake, global head of debt capital markets and acquisition finance, HSBC

MOST INNOVATIVE INVESTMENT BANK FOR BONDS

WINNER: HSBC
Shortlisted: BNP Paribas and Bank of America Merrill Lynch

The quality that HSBC can boast above all others is a global footprint. Nowhere is this more evident than in the UK bank's bond business. However, geography is equally matched by client coverage. In the past 12 months the bank has executed deals in every region and for every client group.

According to Spencer Lake, global head of debt capital markets and acquisition finance, the main reason for HSBC's success is that as the financial crisis unfolded, it correctly identified the key trends that would drive the bond markets and organised its debt business to address them.

"We pulled together different content methodologies and built the organisation around key themes. For example, we recognised that the dislocated environment for financial institutions would mean that there was a huge need for capital yet less access to equity, so we built out our liability management and capital solutions practice around that to ensure that we had all the right capabilities in one place."

Last year's €300m PerpNC5 T1 for EFG Eurobank – which featured an HSBC-designed 'contingent principal share settlement' mechanism – is evidence that this strategy quickly bore fruit.

The sovereigns, supranational and agencies space, where HSBC is among the leading houses in the world, was quickly identified as another key market segment. The bank has subsequently worked on inaugural deals for Portugal, Spain and the European Investment Bank. It has also deeply penetrated the local authority sector, where it is now number one in Spain and a leading player in Germany, for example.

More importantly, the bank has translated a dialogue with the debt management office into a strategic advisor relationship. It has advised the Irish government on the National Asset Management Association and the French government on its strategic investment fund. Similarly, in addition to being the number one non-Greek primary dealer, it is advising the Greek government on how to manage its financial holdings.

"We have moved from being a bond house to being a valued financial advisor," says Mr Lake. "That's been a conscious strategy for our capital markets business and has involved senior management at all levels across all geographies."

> LOCAL CURRENCY IS A KEY STRENGTH FOR HSBC. WE BRING REAL INNOVATION TO THIS SPACE *Spencer Lake*

> SECTORS SUCH AS ENERGY EFFICIENCY AND STORAGE COULD SEE THE MOST DYNAMIC GROWTH *Sandip Sen*

MOST INNOVATIVE INVESTMENT BANK FOR CLIMATE CHANGE AND SUSTAINABILITY

WINNER: CITI
Shortlisted: Deutsche Bank and Standard Bank

In 2007, Citi announced its intention to direct $50bn over 10 years to a wide-ranging portfolio of internal projects and external initiatives. Winning *The Banker*'s Most Innovative Bank for Climate Change And Sustainability for the second year in a row is a sign that this strategy has been hugely successful.

The bank has completed some landmark deals. The AES Armenia Mountain wind project provided the first combined financing package, through which the construction and term loans and a tax equity investment were all fully committed at financial close; this significantly helped to derisk the overall project.

"This was a first-of-a-kind transaction, which was done at a time when financing was difficult to come by," says Sandip Sen, Citi's global head of alternative energy. "It has already been replicated by Citi and other banks."

The Terra-Gen Alta Wind project, which is scheduled to deliver its first turbine in October 2010, introduced the use of a leveraged sale-leaseback structure for large-scale wind financing and was also the first 144A bond offering for a greenfield wind project.

"This was an extremely well developed project with a very clean PPA. This was an advantage when taking it to the capital markets, which are hungry for investments in renewables," says Mr Sen. "However, this is still a new asset class so some education was required around the lease structure and the project itself."

While Citi is bullish on the clean energy and sustainable sectors, Mr Sen acknowledges that the regulatory and political environment is increasingly challenging.

"At a high level, the social and political environment is supportive, but regulatory and policy risk has increased dramatically. For example, in view of policy reviews in countries such as Spain, Italy and Germany, there is growing uncertainty about support for the solar energy industry," he says. "But we see big opportunities in other countries, such as China, India and Australia."

MOST INNOVATIVE INVESTMENT BANK FOR COMMODITIES

WINNER: MORGAN STANLEY
Shortlisted: JPMorgan and Credit Suisse

HAVING BEEN IN THE COMMODITIES MARKETS for longer than most investment banks, Morgan Stanley has built a business of more than 350 people across 40 countries, with an enviable presence across both the physical and derivatives markets. If competition has recently been heating up – with rivals growing via aggressive organic growth and acquisition – Morgan Stanley still commands this space.

It is the bank's business model that has helped Morgan Stanley to better understand the market, and to identify opportunities and solutions for clients, says Colin Bryce, global co-head of commodities. "We have always operated via a specialist model – with dedicated bankers in Norwegian power or Mediterranean jet fuel, for example, rather than derivatives generalists – which means that we know the underlying markets extremely well."

That knowledge proffers tangible benefits to clients, and is complemented by the quality of the dialogue with clients. "This business is about transforming and transferring risk. We listen to what our clients want and what their businesses need – and this leads to the right solutions, not product pushing," says Mr Bryce.

Listening to clients has also provided the genesis of two of Morgan Stanley's many product innovations this year. In January, the bank traded the first ever container derivative, with Bocimar/Delphis and Clarksons. This enables clients to lock-in a future price for a variety of worldwide routes, providing better risk management for clients such as freight lines, freight forwarders, and shippers and retailers.

In March, the bank also traded the first derivative (a forward freight agreement) linked to shipping iron ore along the key trading route from India to China. For the first time, ship owners or iron ore traders can hedge forward exposure on the India-China iron ore route, with significant risk management benefits for hedging the components needed to produce steel in China.

"We have a large number of wet and dry freight clients – on the physical and the paper side – and these products were a direct result of talking to clients about the sort of risk management tools that they needed," says Mr Bryce.

CORPORATE TREASURERS ARE INCREASINGLY AWARE OF HOW FINANCIAL PRODUCTS CAN HELP THEM MANAGE RISK
Colin Bryce


Frank Heitmann, head of convertible origination, EMEA, Credit Suisse

MOST INNOVATIVE INVESTMENT BANK FOR EQUITY LINKED

WINNER: CREDIT SUISSE
Shortlisted: JPMorgan and Bank of America Merrill Lynch

IN NOVEMBER 2009, Credit Suisse was the sole bookrunner on a $207m exchangeable bond for Taiwan-based microelectronic company UMC, utilising a swap of Unimcrom and Novatek assets. Nothing unusual about that; except that it is a prime example of packaging an existing financial technology with a fresh idea to open a new market.

"Backing UMC's dual-tranche exchangeable bond with an asset swap was key to making the transaction a success," says Frank Heitmann, head of convertible origination, EMEA, at Credit Suisse. "We had local Taiwanese banks that were keen to get exposure on the credit, and international exchangeable bond investors who wanted the bond but were keen to risk manage some of the credit exposure. The asset swap enabled us to bring both sides together."

This deal encapsulates the key focus of the Credit Suisse team: to balance the best solutions for both issuers and investors, and leverage a highly integrated global platform.

"The convertible teams in the US, Europe and Asia have worked together for about 10 years, and have been combined with derivatives and acquisition and corporate finance," says Mr Heitmann. "The whole platform is well integrated with our sales and trading team, because successful distribution is crucial to achieving good terms for issuers and creating valuable opportunities for investors."

Another Asian deal – last year's $375m convertible bond for Bum Resources – demonstrates Credit Suisse's success in transferring know-how from one market to another. "The call spread overlay – which minimises dilution for the issuer and allows investors to buy the convertible bond with a normal premium – is a technology that we pioneered first in the US, then brought to Europe, and are now applying to Asia," says Mr Heitmann.

If conditions have not recently been perfect for convertible bonds, Mr Heitmann is relatively upbeat about the future. "Investors want to put money to use, but issuers have been sitting on the sideline waiting for better valuations. With the pick up in M&A that we have seen over the summer, and the wall of refinancing coming after 2011, the signs are pretty good for an uptick in activity."

IF ALL THE DRIVERS COME TOGETHER, I AM POSITIVE ABOUT THE FUTURE PIPELINE
Frank Heitmann

Eric van Laer, head of EMEA equity derivative product management, Credit Suisse

MOST INNOVATIVE INVESTMENT BANK FOR EQUITY DERIVATIVES

WINNER: CREDIT SUISSE
Shortlisted: Société Générale and Barclays Capital

THE COMBINATION OF ULTRA-LOW INTEREST RATES and high volatility has inhibited the structuring of equity derivative pay-offs at attractive prices for retail investors over the past 18 months. This has obliged greater focus on designing bespoke solutions for corporate and institutional clients, leading to organisational reshuffles at some investment banks to integrate equity derivative teams more deeply with the rest of the business. But Credit Suisse had already pursued that model for some years, giving it a head start in coping with the new environment, which was rewarded by our judges.

"We do not want to be everything to everyone, but we want to be everything to priority clients. And communication is key, so that the whole bank understands what our equity derivative capabilities are," says Eric van Laer, head of EMEA equity derivative product management for Credit Suisse.

Those lines of communication extend to the bank's shareholders, which include Qatar Holding. The Gulf sovereign-owned investment vehicle became a client of the equity derivatives team for one of the most high-profile transactions of 2009: the 17% stake purchase in Volkswagen.

Credit Suisse provided an acquisition facility to Qatar Holdings for its purchase of the Volkswagen stake, which was structured as an equity derivative. The bank then managed the large risk by purchasing credit default swaps from other market counterparties. The coordination of product, client and risk management units within the team was essential for transactions on this scale.

"Strategic deals of this sort tend to be outsized, so we need the capabilities to syndicate risk to larger hedge funds or other banks. Being well capitalised and very cognisant of our risks, we are ready to deploy our capital against very good clients, and we expect to see more activity repackaging risk for our institutional clients onto our balance sheet, for us to manage it effectively," says Mr van Laer.

For hedge fund clients, the team also devised knock-in forward variance swaps that allow cheaper entry to volatility trades if the underlying spot price breaches an upside barrier. The product has traded the equivalent of $1.5bn notional equity since it was launched in August 2009.

> WE DO NOT WANT TO BE EVERYTHING TO EVERYONE, BUT WE WANT TO BE EVERYTHING TO PRIORITY CLIENTS ***Eric van Laer***

John Langley, co-head of the global risk solutions group, Barclays Capital

MOST INNOVATIVE INVESTMENT BANK FOR INTEREST RATE DERIVATIVES

WINNER: BARCLAYS CAPITAL
Shortlisted: BNP Paribas and Royal Bank of Scotland

ROCK-BOTTOM INTEREST RATES and uncertainty about when they will change direction are central themes for both corporate and financial institution clients at present. However, Barclays Capital's risk solutions group and rates distribution teams have tailored benchmark transactions for each of these client groups in a way that won over the judges.

John Langley, co-head of the global risk solutions group, emphasises that the transactions are "bespoke rather than exotic", a distinction that underlines a strategy of meeting specific client objectives rather than pumping out standardised products, while also remaining transparent and liquid.

Corporate clients are keen to lock in low long-term fixed rates for borrowing, but without neglecting the high cost of carry relative to short-term floating rates that are close to zero. About €2bn in trades have closed in the past year using BarCap's Atlantic Exceed index, designed to monetise the term premium in the interest rate market through euro and dollar futures.

For a large European real estate client looking to hedge its long-dated financing liabilities, Atlantic Exceed formed the basis of a 30-year swap with a premium cap of 3% and the possibility of a return of up to 1.4% for the client.

"The Atlantic Exceed swap has an element of complexity, but the structure is driven by euro and dollar short-term rates that are very observable and Libor and Euribor contracts that are very liquid even in difficult market circumstances," says Domenico Azzolini, head of fixed income options, exotics and hybrids trading at BarCap.

Meanwhile, retail banks are facing constricted margins as deposit rates are already at zero, but lending rates continue to tighten. BarCap used one client's own algorithm for setting its savings rate to provide the retail bank with an exact savings deposit swap, monetising market expectations of rising rates in the future to bolster the interest margin today.

"Thanks to our strengths and capabilities in flow fixed income, even our most sophisticated clients trust us to be best placed to execute without information filtering into the market. It is a strong selling point for all our product range," says Aurelia Lamorre-Cargill, head of global rates structuring.

> OUR STRENGTHS AND CAPABILITIES IN FLOW FIXED INCOME... ARE A STRONG SELLING POINT FOR ALL OUR PRODUCT RANGE ***Aurelia Lamorre-Cargill***

Philippe El-Asmar, global head of investor solutions, BarCap

MOST INNOVATIVE INVESTMENT BANK FOR RETAIL STRUCTURED PRODUCTS

WINNER: BARCLAYS CAPITAL
Shortlisted: Société Générale and Royal Bank of Scotland

MOST ENTRIES IN THE RETAIL STRUCTURED PRODUCTS CATEGORY reflected three priorities among investors that providers are striving to meet. These are simplicity, transparency and liquidity. This is a major shift away from the heavily engineered pre-crisis products, which proved opaque in their pay-offs and costly for clients to exit when times got tough.

Barclays Capital (BarCap) appears to have taken a leading position in addressing these demands. The bank's BARX-IS online multi-asset class trading platform provides secondary market liquidity in structured products. Meanwhile, the iPath exchange-traded notes range also offers transparency, and lets individual investors take a view on asset classes that would otherwise require derivative trading capabilities to access.

"The concept is answering to client demand in a cost-efficient way, and listing is an important component of it. Creating more scalable, long-term solutions rather than specific structured products is probably the key theme globally in the retail space," says Philippe El-Asmar, global head of investor solutions at BarCap.

The range of 22 structured notes listed since July 2009 on the Borsa Italiana is a good example. Offering straightforward characteristics such as floors, caps and inflation-linked returns, this was the first such product in the Italian market that allowed investors to buy without a distributor – meeting the cost-efficiency criteria at the same time.

Complex trades such as correlations on baskets of stocks, together with long product maturities, are off the table for now. Mr El-Asmar says the best-received offerings today are those that allow investors to take a view on an asset story such as commodities, or access to emerging markets.

But products that allow diversification or market-neutral positioning in uncertain times are still desirable, and BarCap's range of iPath volatility products, starting with VXX and VXZ that reference S&P500 volatility, have hit the mark. The combination of the large former Lehman Brothers US volatility trading desk with BarCap's distribution capabilities has created a potential market benchmark, allowing individuals as well as institutional investors to take long or short volatility positions.

"On one day in May 2010, VXX traded about 79 million units, making it one of the 10 most traded stocks or listed funds in the US," says Mr El-Asmar.

THE CONCEPT IS ANSWERING TO CLIENT DEMAND IN A COST-EFFICIENT WAY *Philippe El-Asmar*

Michael Millette, co-head of securitisation, Goldman Sachs

MOST INNOVATIVE INVESTMENT BANK FOR STRUCTURED FINANCE

WINNER: GOLDMAN SACHS
Shortlisted: HSBC and Credit Suisse

BALANCE SHEETS AND REPUTATIONS have both been damaged by structured finance in the wake of the financial crisis, but it remains an essential tool whose revival is keenly awaited by companies and banks alike.

Goldman Sachs kept faith with the business, and kept 16 separate structured finance teams at work during the crisis, in sectors ranging from residential and commercial mortgage securitisation, through auto and small business loans, to aircraft leasing and media.

The brave decision is paying off, with the bank winning this category for the second year running. There were no broadly distributed aircraft financings between November 2007 and January 2009. Then, in the reference period for this award, Goldman led eight such structured deals – totalling more than \$4.3bn – and about 80% of all 2009 aircraft-related issuance, often as sole bookrunner.

"We kept our desks active, they continued to have dialogue with clients, in many cases working on restructuring if they were not doing new issuance, so we were well prepared to reopen the market in many sectors," says Michael Millette, co-head of securitisation at Goldman.

And as investor appetite returns, the bank has successfully found and structured deals that have the quality to win the market's confidence – even with innovative underlying assets. The US National Football League (NFL) established a facility for \$835m allowing member clubs to borrow using security that included their television rights, held in a lockbox by the collateral agent. To coordinate the NFL, clubs and the investor base required not just Goldman's structuring skills, but its investment banking experience and relationships as well, says Mr Millette.

WE KEPT OUR DESKS ACTIVE, THEY CONTINUED TO HAVE DIALOGUE WITH CLIENTS *Michael Millette*

Across the Atlantic, Goldman has continued to build on the momentum generated by reopening the European commercial mortgage-backed securities market for UK retailer Tesco, with two further deals for the same client. The second brought in 21 new investor accounts, including a buyer for the equity tranche, which had been retained by the Tesco pension fund in the first deal.

"We have been the most front-footed business among the banks, which means we now have the most post-crisis experience in the sector and a core team that we kept right through the crisis, which positions us well for an upturn in activity," says Ben Green, head of Goldman Sachs's European structured finance team.

News flow will continue to drive sentiment and activity for the next six to 12 months ***Viswas Raghavan***

MOST INNOVATIVE INVESTMENT BANK FOR INITIAL PUBLIC OFFERINGS

WINNER: JPMORGAN

Shortlisted: Goldman Sachs and Bank of America Merrill Lynch

In a year when equity markets have been characterised by volatility, initial public offering (IPO) pricing perfection has been hard to come by. A large number of deals have been pulled, and many have underperformed in the aftermarket. Of all the investment banks, JPMorgan has the best track record: it has done more deals, with fewer postponements than any of its competitors.

The more deals undertaken, says Viswas Raghavan, head of international capital markets at JPMorgan, the better your performance should be. "The more transactions you do, the greater your market intelligence and understanding of what investors want. In an environment that is swinging from rally to correction, picking your execution window is critical. And that relies on having the correct market intelligence. This then feeds through to subsequent deals."

He says the bank also positioned itself very well for current market conditions. It decided early on what the shape of the market would be in terms of offensive capital raising versus defensive recapitalisations, and makes sure that the bank only brings to market the strongest and most relevant companies to guarantee support from investors.

A good example of JPMorgan's approach, says Mr Raghavan, is India's Essar Energy. The $1.9bn IPO of this oil, gas and power company in April this year gave investors access to a proxy for the Indian growth story, but one that was framed in the context of a UK governance framework and the comfort of a large liquid offering. It also demonstrated JPMorgan's execution prowess.

"We priced this deal in one of the toughest quarters of the year," says Mr Raghavan. "There was a banking inquisition unsettling markets in the US, volcanic ash completely disrupted the roadshow, sovereign crises were gathering pace in Europe and we were one week away from the UK elections, which meant that markets in Europe were taking a wait and see approach. Not the easiest backdrop for a $1.9bn deal."

MOST INNOVATIVE INVESTMENT BANK FOR LOANS AND LEVERAGED FINANCE

WINNER: : BANK OF AMERICA MERRILL LYNCH

Shortlisted: Royal Bank of Scotland and Credit Suisse

Bank of America Merrill Lynch (BAML) truly is a behemoth in the loans and leveraged finance markets. In terms of sheer volume, it stands at the top of the global syndicated loan market, the global leveraged finance market and the investment grade bookrunner league tables.

Its business is not just one of scale, however. The offering for clients is characterised by a creative approach to resolving client challenges, which has resulted in several notable deals. One such transaction was the $6.5bn equity bridge to equity or debt securities for PPL, which enabled the mid-sized power company to acquire German utility E.On's US assets in a transformative deal.

AJ Murphy, Americas head of leveraged loan capital markets, says that the bank's creativity is born of BAML's reorganisation: "We spent time rethinking and retooling the business after the crisis. We asked ourselves: how will we responsive to the current market? We were able to build our business for a new world and not be working from an outdated model."

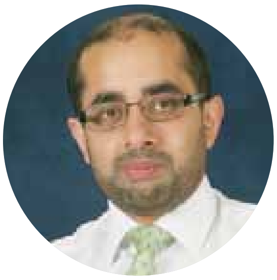
The crucial element of this is the strong coordination between product groups, which interact on a regular basis. "This means we disseminate information across the business and really understand the dynamics between the different segments of the market and between different client groups. This means we can be very thoughtful and clever about structuring and distribution," says Ms Murphy.

This doesn't mean that BAML does not take advantage of its scale. Ms Murphy says the bank does not target a particular sector but has the resources and breadth to be able to cover all of them. This gives the bank particular advantages, particularly when the market is volatile.

Another element that sets BAML aside is the strength of its distribution platform. "We have a large dedicated team of veteran distribution people, who don't trade – they solely focus on distribution of product. This really enhances our 'read' on the market," says Ms Murphy.

Overall, the bank is positive about business going forward. "The syndicated market is back for companies with the appropriate ratings, and there is more room for the investment grade loan market to run," says Peter Hall, global head of investment grade loans. "We expect to see a pickup in M&A activity which will drive activity and we expect refinancings to continue as well."

We spent time rethinking and retooling the business after the crisis ***AJ Murphy***



Mohammed Dawood, director of debt capital markets, HSBC Amanah

MOST INNOVATIVE INVESTMENT BANK FOR ISLAMIC FINANCE

WINNER: HSBC

Shortlisted: Bank of London & Middle East and CIMB Islamic

As global capital markets were buffeted over the past year, Islamic capital markets also had to contend with internal challenges. New guidelines on sukuk – sharia-compliant notes – issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) caused structurers and investors alike to reconsider their approach. All of which seems only to have encouraged HSBC, and its dedicated Islamic window HSBC Amanah, to redouble their efforts to find new financing techniques for their clients.

"Since the AAOIFI guidelines, the challenge is to come up with a transaction that is AAOIFI-compliant, so that you can market it purely from the perspective of the credit and pricing, not having the additional execution risk of investors dwelling on the sharia-compliance aspects that can delay time to closing," says Mohammed Dawood, director of debt capital markets for HSBC Amanah.

HSBC dominates the market for major corporate issuance in Saudi Arabia, where local investors are widely seen as among the most demanding on sharia compliance. The SR7bn ($1.9bn) issue for Saudi Electric Company in May 2010 was the first time a sukuk used the leasing of intangible assets – such as rights to read and maintain electricity meters and distribute bills to customers. This sets a precedent to allow other companies to issue sukuk without needing large tangible assets such as real estate to back the deal.

A $1bn Musataha (grant and leaseback) sukuk for Abu Dhabi's Tourism Development and Investment Company in October 2009 helped the client navigate a local legal system that would have made an outright sale and leaseback deal prohibitively expensive. Meanwhile, the International Finance Corporation (IFC) turned to HSBC in the same month when it became the first non-Islamic supranational to issue a sukuk. The deal should build a long-term relationship, as HSBC can help source some of the end-borrowers in the Middle East and Asia seeking sharia-compliant financing from the IFC.

"Issuers who are new to sukuk markets and want to find out more now see HSBC as their first port of call. This is especially the case for sovereigns, who also draw on our expertise to help draft legislation to enable Islamic finance, or to discuss structures that would be possible without legal amendments," says Mr Dawood.

> ISSUERS WHO ARE NEW TO SUKUK MARKETS SEE HSBC AS THEIR FIRST PORT OF CALL ***Mohammed Dawood***

> HSBC'S APPROACH IS TO LEAD WITH ADVICE AND FOLLOW WITH A FULL PACKAGE ***David Gardner***

MOST INNOVATIVE INVESTMENT BANK FOR INFRASTRUCTURE AND PROJECT FINANCE

WINNER: HSBC

Shortlisted: BNP Paribas and Société Générale Corporate & Investment Bank

According to David Gardner, global head of project finance and head of the resources and energy group at HSBC, what the bank tries to bring to the financing table is creativity.

"We try not to be constrained by how project finance is usually done, but to look at new and better ways to structure financing for that particular project and region," he says.

This approach is quickly visible in several of the deals executed by HSBC in the 12 months of *The Banker*'s awards review period. For example, earlier this year, the bank was the sole structuring agent for AEI NBT's Rmb400m ($60m) non-recourse project financing. This was the first such structure for a wind farm in China under the framework of the Renewable Energy law, and the first time Bank of Communication had participated in such a deal.

"Given the push for green energy in China, we put in place a dedicated team to look at projects and structures," says Mr Gardner. "We hope this deal will be a template for China. It is a relatively small project at 50 megawatts, but if we can get Chinese banks comfortable with such structures, we can scale it up."

Other notable deals include: the first soft mini-perm financing and portfolio structure for concentrated solar power assets for Acciona; the first Middle East deal in which greenfield project financing was structured to include the option of raising financing through a project sukuk, for Saudi Aramco; and the first listed green infrastructure trust in south-east Asia, for Keppel Integrated Engineering in Singapore.

The cornerstone of HSBC's approach is its advisory-led strategy (advisory mandates outnumber arranging mandates by about three to one) and its geographic focus on the south-south corridor.

"We do not throw money at projects. We like to add value; to be cerebral. Then we follow up with balance sheet where appropriate," says Mr Gardner. "We are not solely focused on emerging markets, but it is definitely where we can add most value."

Sylvan Chackman, co-head of global markets financing and futures, Bank of America Merrill Lynch

MOST INNOVATIVE INVESTMENT BANK FOR PRIME BROKERAGE
WINNER: BANK OF AMERICA MERRILL LYNCH
Shortlisted: Credit Suisse and Deutsche Bank

IN JUNE 2008, BANK OF AMERICA sold its prime brokerage business to BNP Paribas. Just a few months later, it acquired another prime brokerage platform with its acquisition of Merrill Lynch. Now, the business is firing on all cylinders. *The Banker*'s judges were particularly impressed with the integrated nature of the platform and the capability for bespoke solutions that this enables.

This was an explicit strategy laid out by the bank, says Sylvan Chackman, co-head of global markets financing and futures, the division which brings together the bank's swaps, futures and repo businesses with traditional cash prime brokerage, stock lending and capital introduction capabilities.

"Post-crisis, we decided that would be able to better serve clients and get greater economies of scale by bringing together all the asset classes and products within our financing businesses," says Mr Chackman.

This was much more than just a re-branding exercise, he says. "Integrating the two banks gave us an opportunity to rethink the business and to create the organisation that we think is the model for the future. When we talk to clients, it's about prime brokerage, financing and clearing solutions across the spectrum."

The bank has come up with some clever innovations. The structured finance equity trading team has been set up to structure solutions relating to financing difficult asset classes, improve clients' capital positions and address barriers to investor access.

Another solution to catch the judges' eye was the Multi Asset Calculator, which nets risk across both listed and over-the-counter products, and enables clients to calculate leverage based on the risk exposure within their own portfolio. The ability to perform their own 'what if' scenarios to measure the impact of specific trade ideas on their portfolio risk and margin requirements has proved a compelling offering for clients. It was something that bankers had been working on since 2007, says Mr Chackman.

"We began working on this when leverage was at its height. Since we rolled it out, we have got great traction. We don't see any other prime broker with such a powerful tool, so this is a real differentiator for us," he says.

MOST INNOVATIVE INVESTMENT BANK FOR ASSET AND LIABILITY MANAGEMENT

WINNER: ROYAL BANK OF SCOTLAND

Shortlisted: Credit Suisse and Société Générale Corporate & Investment Banking

For RBS, the work of asset and liability management (**ALM**) is spread across at least three practices: the liability management team that works in the debt capital markets (DCM) business, the risk advisory team, and the insurance and pension ALM group. Central to the success of these three practices is the ability to work together to produce extensive transactions that improve clients' exposure to a wide range of risks, often simultaneously.

A process of risk analysis followed by a €600m swap hedge and credit auction transaction for British American Tobacco (BAT) characterised this approach, aiming to optimise the group's financial position across variables including exchange rates and interest rates, taking into account not only its debt profile, but also its pension scheme. Jonathan Chesebrough, head of risk and accounting advisor at RBS, says the bank aimed to achieve the optimum mix of fixed and floating rate debt and currencies to support BAT's key metrics such as earnings per share, all at an acceptable cost.

"This wrapped together several groups within RBS. By seeing where BAT is today and where it needs to go, we could then,

> [The BAT deal] wrapped together several groups within RBS. By seeing where BAT is today and where it needs to go, we could then help design a programme that is more supportive of BAT's strategic objectives *Jonathan Chesebrough*

with our colleagues in liability management and DCM, help design a programme over a couple of years that is much more supportive of [BAT's] strategic objectives and internal planning such as tax planning. So it is not an overnight solution, but something we partner with BAT on an ongoing basis," says Mr Chesebrough.

RBS has also established itself as the go-to bank for large-scale debt optimisation transactions in the UK retail sector, with a modified Dutch auction that allowed Marks & Spencer to refinance £225m ($350m) in 2011 and 2012 bonds for a new 2019 issue in November 2009. The floor-only spread-based auction technology was then used for Tesco's £920m buy-back across five sterling and four euro issues in June 2010 – one of the largest investment grade tender offers in Europe to date.

"The difference in the Tesco transaction was that there was no new issuance. It wanted to take advantage of existing market conditions to reduce net debt using cash on balance sheet and achieve a stated objective to reduce leverage at group level," says Gianmarco Deiana of the RBS liability management team.

Andrew Merrett, co-head of European restructuring, Rothschild

MOST INNOVATIVE INVESTMENT BANK FOR RESTRUCTURING

WINNER: ROTHSCHILD

Shortlisted: Lazard and Goldman Sachs

As the wave of restructuring in structured investment vehicles (SIVs) abates, *The Banker* has recombined the securities and corporate restructuring categories back into a single award. What has not changed is the strength of the franchise at Rothschild, a winner for the second year running. Andrew Merrett, co-head of European restructuring at Rothschild, attributes this success in part to the bank's decision even before the financial crisis to retain a team of dedicated restructuring bankers in Europe, rather than borrowing and "respraying" bankers from other parts of its corporate finance business.

"Because we are specialists, we are interested in technology, in the next frontier, identifying what has not yet been done in restructuring, figuring out how we can make it work," says Mr Merrett.

New developments introduced by Rothschild included advising Oaktree Capital Management on its investment in packaging firm SGD Group, the first new money restructuring since France's recent 'sauvegarde' law. And the dedicated team has gained momentum as it gains expertise. For two groundbreaking deals in the past 12 months, Rothschild was able to draw on the experience and techniques developed in previous years.

For the £435m ($680m) restructuring of IMO Carwash, the bank used a UK court-approved Scheme of Arrangement and pre-packaged administration model, which it had pioneered with retirement home developer McCarthy & Stone. The aim of a legally approved process is to overcome the problem of ever-larger pools of creditors holding different tranches, which can otherwise make it impossible to reach a deal.

With IMO Carwash, mezzanine lenders contested being written out of the capital structure. The court asked Rothschild to turn expert witness on tranche valuations, and the bank's testimony was accepted by the judge.

Meanwhile, existing relations in Russia helped Rothschild navigate the $13.8bn restructuring of metals giant Rusal, which included 12 syndicated and 42 bilateral loan facilities. Mr Merrett says achieving creditor cohesion was essential, to avoid each lender seeking to claim security pledged by one of the 17 different Rusal borrowing entities.

"We do not know yet if it will set a precedent for other restructurings, but it has certainly created a useful shorthand for co-operation among creditors whenever we negotiate with Russian banks in the future," says Mr Merrett.

> Because we are specialists... we are interested in the next frontier *Andrew Merrett*

Ram Nayak, global head of structuring, Deutsche Bank

MOST INNOVATIVE INVESTMENT BANK FOR RISK MANAGEMENT

WINNER: DEUTSCHE BANK

Shortlisted: BNP Paribas and HSBC

A GLOBAL STRUCTURING TEAM WITH A MATRIX of regional and product lines mirroring the global markets business itself gives Deutsche Bank an edge in helping clients manage risks across variables. Added to that, the bank retained trading networks in complex products such as correlation and illiquid credit throughout the crisis.

"For any event-driven business that has complexity across the spectrum, we are the bank of choice for structured solutions. Our ability to originate these transactions is facilitated by our institutional client and corporate coverage teams, which are among the strongest on the Street," says Deutsche's global head of structuring Ram Nayak.

A dedicated mergers and acquisitions advisory team within the foreign exchange business characterises this specialised approach. The team recently advised a European company buying an Australian target in US dollars.

Selling shareholders wanted compensation if the Australian dollar strengthened by more than 5% between signing and funds flow. The buyer wanted a suitable US dollar/Australian dollar hedge, but signing and closing dates were both uncertain, there was a possibility that the deal could still fall through, and at $3bn, the transaction was large enough to move the options market against the buyer once the deal was announced.

"We needed to make sure that the trade was flexible at the front end, that we gave the client a known price for a 5% out-of-the-money hedge, allowed them to set the strike when they needed it, settle as funds flow occurred, and avoided leaving them with any market risk if the deal did not go through" says Wes Price, head of strategic FX structuring in Europe.

The bank's network and knowledge in structured credit markets were essential in the unwind of an illiquid $10bn collateralised debt obligation (CDO) position for another bank, and the sale of $6bn in mortgage-backed securities for monoline insurer Syncora as part of its restructuring deal. And in the rates business, Deutsche Bank doubled the size of the longevity hedging market for European pension funds, with a $3bn hedge for the BMW pension scheme.

"Our major innovation was that, instead of taking on all the risk unhedged, we syndicated the majority of the trade in many formats to traditional bank counterparties, reinsurers, and through our UK-regulated insurance subsidiary Abbey Life. We can now see two-way trading in the risk that we syndicated, giving us the capacity to take on more," says David Hinsley, head of interest rate structuring at Deutsche Bank.

MOST INNOVATIVE INVESTMENT BANK FOR FOREIGN EXCHANGE

WINNER: BNP PARIBAS

Shortlisted: Royal Bank of Scotland and Barclays Capital

ALREADY THE LARGEST TRADED MARKET in the world, daily foreign exchange (FX) volumes have now reached $4000bn, an $800bn rise in three years. The huge increase in spot volumes – up 50% to $1500bn per day since the most recent BIS survey – confirm that this is a volume-driven business.

But that is not the whole story. Now more than ever, corporates, financial institutions and investors are looking for clever ideas. Faced with an uncertain economic environment and volatile markets, clients are looking for hedging solutions or managing asset/liability challenges; they want the ability to trade FX volatility as an asset class, or the tools to help them identify other trading opportunities.

The winner of this year's award for FX – BNP Paribas – has a strong derivatives culture, which has helped it to stand out in terms of bespoke solutions. It was the first bank to be able to offer clients options on swap points, enabling them to better manage the swap point risk inherent in forward FX. It has tools that let clients price their own multi-currency and FX hybrid options.

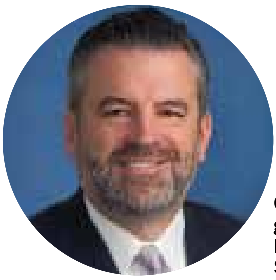
BNP Paribas also excels in local currencies. It was the first to offer range accrual on a currency basket in the Turkish market for a mutual fund client looking for a currency-linked product that would provide a yield enhancement over the risk-free deposit rate in new Turkish lira. For a Chinese client looking for a low-cost strategy to hedge its dollar and euro receivables against an appreciating renminbi, the bank came up with a lock-in dual currency forward. This is the first onshore trade of its kind and complies with onshore regulations that do not allow renminbi options.

Now, however, the bank has bigger ambitions. "We have always had a strong derivatives culture and have therefore always been a leading player in the structured space; but we have spent the past two years or so building out a much more complete FX platform. Our ambition is to be a top five FX provider globally by 2012," says James Davison, BNP Paribas' head of FX structuring for EMEA.

James Davison, head of FX structuring for EMEA, BNP Paribas

He says the bank has invested heavily in growing its sales and trading headcount, and in developing its electronic trading platform. It has already rolled out a new FX and interest rate derivative trading platform to private and retail bank clients in Asia and Europe, and is also rapidly expanding its prime brokerage offering.

But constructing bespoke solutions will remain a key pillar of the client proposition, says Mr Davison. "In the post-crisis era, there is even more focus on solutions, rather than products. Clients are looking for ways to manage exposures in a dynamic but less leveraged way."



Gordon Dyal, global head of M&A, Goldman Sachs

MOST INNOVATIVE INVESTMENT BANK FOR MERGERS AND ACQUISITIONS

WINNER: GOLDMAN SACHS
Shortlisted: Credit Suisse and Morgan Stanley

If competitors hoped that the investigation by the US's Securities & Exchanges Commission and other attacks on the firm would cramp Goldman Sachs' mergers and acquisitions (M&A) style, they were wrong. Despite fighting to save its reputation, Goldman has continued to dominate the industry.

The bank ranks top in announced and completed global M&A, and has advised on 10 of the 20 largest transactions over the past 12 months, excluding government rescues. It has advised on most of the significant leveraged buy-outs, on many of the most complex cross-border and emerging market transactions, as well as restructurings and squeeze-outs.

This does not mean that Goldman is complacent about the effect of negative publicity. Gordon Dyal, global head of M&A, says it is hard to tell what was the effect on clients, the firm just keeps doing what it does best.

"You never know which new clients didn't call. Would we have chosen to work in a different environment? Of course. But we are very proud of where our M&A business is, and that is built on establishing trusted relationships and advising on what is best for our client to do or not do – including not doing the transaction."

Traditionally known as a leading practitioner of raid defence, the past 12 months have been no exception. Goldman has advised on some of the largest hostile and unsolicited bids, including advising mining group Anglo American on its defence against Xstrata and biotech firm Genzyme on its proxy fight against Carl Icahn.

Perhaps the most iconic battle, at least for those in the UK, was Goldman's role in helping UK confectionary firm Cadbury negotiate a better deal for shareholders during Kraft's hostile bid. Mr Dyal says that the deal was a difficult one for a variety of reasons.

"It was a very challenging transaction, not least because it was a contested deal that was played out so vividly in the UK press. This amplified all the challenges that you usually face with a large cross-border deal. Ultimately, we are judged by our clients, and we are pleased that they believe we achieved a very good deal for their shareholders. And that's our job."

In terms of the future pipeline, Mr Dyal says the bank does not try to second guess the market, but does position its business to try to anticipate trends. In that respect, he says emerging markets will clearly be a focus going forward. "If BRICS are going to continue to grow – as we believe – then it will make sense for us to continue to weight our resources to the regions and industries that need them."

Christian Alibert, head of structured inflation, RBS

MOST INNOVATIVE INVESTMENT BANK FOR INFLATION PRODUCTS

WINNER: ROYAL BANK OF SCOTLAND
Shortlisted: HSBC and BNP Paribas

The repricing of credit risk had two significant impacts on the market for inflation derivatives, both of which inspired Royal Bank of Scotland (RBS) to generate novel responses. The first is the problem of counterparty credit risk on inflation products, in a market where most transactions are long-dated. The second is that the basis spread between inflation-linked bonds and inflation swaps became highly volatile.

Inflation swaps are credit risk-heavy because they traditionally have a significant back-ended inflation risk, payable at maturity. RBS devised three types of 'pay-as-you-go' inflation swap for UK utilities company Southern Water, to reduce the unpaid portion of inflation indexation at any given time, better managing the risk characteristics of the deal. This allowed RBS to increase its trading with Southern Water without hitting exposure limits, and the bank was able to reduce the initial coupon on the swaps in return.

"We went through a number of iterations to finalise the trade, and it is testament to our collegiate system that we worked across the trading, structuring and sales functions and utilities coverage team to find a holistic solution, to control the risk for the client and for ourselves in terms of complex inflation and rates correlation," says Richard Kingsbury, director of structured risk solutions at RBS.

To help the UK pension scheme of Sun Life of Canada address basis spread risk, RBS devised the first trade to lock in the spread between index-linked gilts and inflation swaps. The scheme had made gains because the swaps it used as hedges outperformed index-linked gilts, and now wanted to lock in the gains while keeping hedges in place.

What stands out across its trades is RBS's impressive depth of market engagement. This also allowed the bank to match up Danish developer Great Belt, which was looking to replace inflation-linked debt with inflation swaps, to a Danish pension fund that no longer regarded pan-euro inflation swaps as an adequate hedge for its domestic liabilities.

"The non-core European inflation indices have struggled in the past couple of years because banks were reluctant to warehouse this illiquid risk, so the challenge to get these markets moving again was to get deep into the participants and identify where the supply and demand for these indices come from," says Christian Alibert, head of structured inflation.

> WE WENT THROUGH A NUMBER OF ITERATIONS TO FINALISE THE [SOUTHERN WATER] TRADE
> ***Richard Kingsbury***