SRPInsight

Issue 12 | February/March 2022

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NEWS | EUROPE

RCB offers deep barrier on MSCI decrement basket, implements ESG standard

Raiffeisen Centrobank (RCB) has issued the MSCI Europe/North America Sustainability Bonus & Safety Certificate.

The five-year structure is linked to a worst-of basket comprising the MSCI Europe Top ESG Select 4.5% Decrement Index and the MSCI North America Top ESG Select 4.5% Decrement Index.

The certificate pays a fixed annual coupon of three percent. Redemption at maturity is 100%, providing both indices have not quoted below the barrier of 49% of their respective starting price throughout the observation period. Otherwise, the investor participates 1:1 in the performance of the worst performing index, capped at 100%.

"Bonus certificates play out their strengths in times when markets show no clear direction," said Jaroslav Kysela (pictured), regional manager structured products CEE, at RCB.

"This certificate is aimed at investors who would like to combine the opportunity to generate sound returns and benefit from the partial protection of the invested capital down to the barrier," Kysela said.

The product complies with RCB's sustainability standard for certificates, and both the MSCI Europe Top ESG Select 4.5% Decrement Index and the MSCI North America Top ESG Select 4.5% Decrement Index meet the exclusion criteria for sustainable indices used by the bank for its investment products.

The former features over 430 constituents across 15 countries, with 85% coverage of the free float market capitalisation while the MSCI North America has over 700 constituents, also covering approximately 85% free float market capitalisation. Shares of the top 50% companies with the highest ESG ratings are selected by MSCI within their respective industries following a best-in-class approach. If two securities have the same ESG score, the security with the higher free float market capitalisation is selected.

"For a maximum of transparency and a statement, we developed the RCB sustainability standard as a voluntary commitment in March 2021.

"As part of an exclusion process, companies or underlyings are filtered out according to the exclusion criteria of the RCB standard, which are aligned with ESG criteria from MSCI," said Kysela.

Only investment products with a sustainable underlying are considered environmentally and socially compatible under ESG criteria by the bank. For indices, which are offered or developed in cooperation with recognised index providers, RCB examines the analysis data from Sustainalytics and MSCI ESG. For the selections of single stocks, it relies on ESG analyses by Raiffeisen Research.

Exclusion criteria is used to exclude companies or states from the investment universe because they manufacture certain products, do not meet certain social, ecological or political criteria, do not correspond to the values of an investor or violate international norms and standards.

According to RCB's standards, leverage products are generally not classified as sustainable because they typically have a short term and do not serve any medium or long-term investment goals.

Reverse or short products, which benefit specifically from falling prices are also viewed as non-sustainable, as only sustainable development of the underlying is to be promoted.

> **Bonus certificates play out their strengths in times when markets show no clear direction**

SG takes top self-directed spot in Germany, debuts Uranium play

The French bank is riding the 2021 tailwind after finishing the year as the leading provider in Germany's self-directed space.

Last year was a very successful year for Société Générale's derivatives business in Germany which focuses on products bought on exchange by self-directed private investors - the public distribution side of the market. The French bank took 12.9% of that segment of the market and is seeking to increase its market share after the successful integration of the Commerzbank structured products books.

SG established itself as a leading player in the self-directed segment of the market in 2021 following the integration of Commerzbank in 2020 which has worked very well, according to Anouch Wilhelms (pictured), director, derivatives, head of public distribution media at Société Générale Corporate and Investment Banking (SGCIB).

"We offer around 250,000 investment and leveraged products every business day and have become one of the main providers in the market," he said. "We are also increasing our market share with new ideas and new certificates like the Uranium certificate or the Metaverse tracker as well as with our products on underlaying US assets."

The new Uranium tracker certificate is the first tracker of 2022 from the French bank and comes on the heels of the Metaverse tracker launched in December (WKN: SH02Q8).

The product tracks the performance of the Solactive Uranium Mining Index CNTR which comprises 15 companies that are active in the field of uranium mining and processing.

The launch of the Uranium tracker is also testimony of the legacy left by Commerzbank as one of the main providers of commodity-linked products in Germany.

"Our tracker certificate on oil is the most traded product every month, especially the one which is currency protected," said Wilhelms, "We also have an established footprint with our Carbon Tracker. This product-line goes back to 2007."

2022 OUTLOOK

Wilhelms points at several reasons behind one of the best years in the history of the market. One is the pandemic effect which resulted in new people starting to invest in equities.

"We saw this trend in Germany in 2020 but also in 2021. More people have entered the equities market and are investing in equities directly but also via derivatives," said Wilhelms.

The positive market sentiment over the last two years has also attracted new investors seeking to participate in growth stories.

"Stocks like Tesla and the big tech companies have driven high trading activity and structured products have been well positioned as they offer private clients a different way to invest in equities," said Wilhelms.

In addition to this, structured products are also being adopted by young investors coming to the market, as well as new brokers entering the market or increasing their footprint and making products more accessible.

"The combination of those three aspects is expanding the market and fuelling trading activity. It is a different market from five or 10 years ago," he said. "Structured products also remain the best alternative to bonds if interest rates remain below zero in the EU."

And if interest rates go up this would also be good for structured products as issuers would be able to offer more protection.

"We expect an increase in appetite for products using the interest rate as underlying as there is an expectation that interest rates will go up so investors will be able to participate on the future [interest rates moves] and also go short," he said.

> **We offer around 250,000 investment and leveraged products every business day**

Austria: now is the time for certificates

The market for structured products in Austria has grown significantly in 2021.

As of 31 December 2021, the outstanding amount for live structured products stood at €14.8 billion while the trading volume reached €3.7 billion during the year, according to figures from the Austrian certificate association (Zertifikate Forum Austria or ZFA).

"Structured products have now become a well-established component in the portfolios of investors in Austria," said ZFA chairman Frank Weingarts (pictured), speaking at Zertifikate Jahresauftakt 2022, the association's annual kick-off event on 27 January 2022.

Volumes for investment products grew by 9.8%, or €650m, while certificates without full capital protection – such as minimum redemption products as well as bonus certificates, express certificates and reverse convertibles – were up by 26%, or €880m on the previous year. However, products with full capital protection, in Austria normally the strongest category, saw their volumes decrease by 6.9%, or €226.3m.

According to Weingarts, 2022 will be a year characterised by volatility.

"Geopolitical tensions, Covid-19-related declines in the profit growth of listed companies, as well as the expected changes in interest rates and monetary policy in the USA and in the eurozone, will trigger nervousness among market participants," said Weingarts. "In this environment, certificates are simply the instrument of the moment [...] structured products are able to manage risk and seize opportunities in volatile or sideways markets."

Turnover of all structured products, at €3.7 billion, increased by eight percent from €3.4 billion in 2020, with bonus certificates and equity-linked bonds increasing by 17% and 52%, respectively. Turbo certificates saw a decrease in turnover, due to the high volatility at the beginning of 2021.

Christoph Boschan, chief executive officer of the Vienna Stock Exchange, where the main certificate issuers are represented, expects the exchange to present record results this year, on the back of a strong performance of the Autrian Traded Index (ATX) in 2021 (+44%).

"After a strong setback when the corona pandemic broke out in March 2020, there was a very rapid turnaround [...] against this background, certificates offer fantastic opportunities to participate in growth and reflect the different needs of investors," Boschan said.

GREEN FINANCE

Top of the to-do list for 2022 is green finance, in addition to the topics of banking and capital markets union and digital finance regulation, according to Thomas Wulf, secretary general of the European Structured Investments Products Association (Eusipa)

"With Green Finance, the euro zone is traveling with a high-speed train on old tracks. In 2022, many sustainability regulations are scheduled to come into force, but not all of the preparatory work has been completed. A lot of data is still missing," Wulf said.

In general, when it comes to sustainability, Wulf sees a strong trend away from qualitative assessments towards quantitative data collection and disclosure.

"Banks and companies will have to report how sustainable their products and balance sheets are. Customers are asked how sustainable the desired product should be. Supply and demand are matched accordingly. That sounds wonderful, but it will be a big challenge in terms of communication," he said.

"

Structured products are able to manage risk and seize opportunities in volatile or sideways markets

Halo expands European footprint

Halo Investing Europe has become a new partner member of the Swiss Structured Products Association (SSPA) replacing Swiss broker Picard Angst, which brought the platform to Europe as a partner.

Designed as a one-stop shop multi-issuer hub, the platform offers standard modules for trade ideas, a subscription desk, a custom note builder, as well as an order and lifecycle management. In October 2021, the US platform secured US$100m in series C funding from major investors which will be used to drive the company's global expansion as well as new product developments.

The firm appointed René Raabe (pictured) in December as head of enterprise sales to drive the firm's expansion in Europe.

'The aim of Halo is to radically simplify the handling of structured products in Switzerland along the entire value chain using modern technology,' said Raabe. Prior to joining Halo Raabe held senior sales positions at Crealogix Group and Avaloq.

With 42 members across the entire value chain - issuers, trading platforms and buy-side, brokers and partners, the SSPA represents the interests of the market's top players, which together account for more than 95% by volume of structured products in Switzerland.

Marcuard Heritage eyes AMCs

Zurich-based wealth manager Marcuard Heritage has partnered with securitisation specialist GenTwo to make more alternative assets investable via actively managed certificates, which will be added to its product range.

Marcuard Heritage wanted a bespoke off-balance sheet issuing solution to complement its investment fund offering which can be 'a complicated and expensive process'.

'I have always felt that it is very important not only to offer clients tailor-made investment instruments, but also to facilitate their access to new assets and thus ensure that they have more opportunities for returns,' said Hakan Sesle, head of investment solutions at Marcuard Heritage. 'This capability is going to enrich our investment solutions and processes.'

The issuance vehicle will enable Marcuard to bring to market actively managed certificates (AMC) with Swiss ISIN codes, without the usual involvement of a bank issuer.

The firm is looking to launch tailor-made AMCs offering access to alternative investment areas such as digital assets or real estate to respond to client demand for new and previously portfolio-incompatible assets that can generate returns and improve portfolio diversification.

SIX onboards new issuer, reports CHF20bn trading turnover

SIX has added Swissquote as the 23rd issuer for structured products at SIX Swiss Exchange.

The Swiss provider of structured products, which entered into a cooperation agreement with Leonteq in mid-January for the manufacturing and distribution of structured products has listed a 13.00 % p.a. Callable Multi Barrier Reverse Convertible (CH1160782665) linked to the shares of Logitech and Temenos Group.

The Swiss Exchange has reported a trading turnover of CHF20.1 billion (US$21.7bn) and 778,030 trades in the structured products and warrants segment in 2021. By the end of December, there were 41,269 structured products and warrants available to investors, according to the exchange.

Peter Rosenstreich, head investment products at Swissquote, said the goal to become an issuer for structured products highlights the firm's evolution.

'Listing our products at SIX Swiss Exchange will be the key catalyst for the further development of our retail and institutional offerings,' he said.

NEWS | EUROPE

Retail investors escape from British equities and the pound

Spectrum Markets, the pan-European trading venue for securitised derivatives, has published its Serix sentiment data for European retail investors for December which shows that of all investible equity indices the UK's FTSE 100 experienced the most long-selling and short-buying activity.

Since the Serix value on the FTSE 100 stood at 100 in September 2021, representing an equal balance of buying and selling, the curve sloped sharply into bearish territory in the following months, finally reaching a value of 87 in December, the lowest monthly value for the index since the Serix was introduced as a benchmark.

In contrast, positive investor sentiment can be observed in the Italian MIB 40 index (101), the Spanish Ibex 35 (104) or America's Nasdaq 100 (103).

> **The Spanish Ibex or the Italian MIB currently seem to be more convincing to Index investors**

At the same time, investors lost confidence on the British pound - the Serix value for the GBP/USD currency pair fell from 112 in November to 97 in December, indicating a bearish investor sentiment. A similar trend was seen for sentiment around the GBP/JPY and GBP/EUR currency pairs.

'Overall, it seems retail investors simply did not see much in the way of encouraging signs in the UK market at the end of the year and - on the contrary - even see it as overvalued, which is illustrated by the numerous bearish positions on the FTSE 100 index,' said Michael Hall, head of distribution at Spectrum Markets. 'Investors also do not seem to consider the slight recovery of the FTSE to be sustainable in the long-term or sufficient cause for optimism. Alternatives such as the Spanish Ibex or the Italian MIB currently seem to be more convincing to Index investors.'

During December, 72.5 million securitised derivatives were traded on Spectrum Markets, with 37.2% of trades taking place outside of traditional hours. More than 83% of the traded derivatives were on indices, 9.8% on currency pairs, 5.4% on commodities, and 1.6% on equities, with the top three traded underlying markets being Dax 40 (24.1%), Nasdaq 100 (17.8%), and S&P 500 (14.6%).

Leverage Shares dispatches 42 new ETPs, adds 5x leverage structures

Leverage Shares has listed 42 new exchange-traded products (ETPs) across European markets. The new products include a range of tracker ETPs offering 1:1 exposure to ARK Invest's thematic ETFs and Berkshire Hathaway stock. In addition, the company adds leveraged ETPs covering major sectors such as healthcare, airlines and other single stocks such as Moderna, Coinbase and NIO, as well as two 5x leverage ETPs tracking the Invesco QQQ Trust Series 1 ETF and SPDR S&P 500 ETF.

The tracker ETPs offering 1:1 exposure to Ark's strategies will come with a management fee of 0.35%, with the same being 0.75% for the leveraged and inverse leveraged versions. The new ETPs physically own the underlying stock, so no swaps or derivatives are used to gain exposure. All the ETPs will trade in USD, GBx and EUR and are listed on the London Stock Exchange, Euronext Amsterdam and Euronext Paris.

Leverage Shares now has 145 ETPs, offering access to big names such as Moderna, Airbus, Tesla, Microsoft, Meta, and Apple. According to FE Analytics, four of Leverage Shares' ETPs appeared in the top 10 best-performing ETFs of 2020.

Leonteq expands cooperation with Raiffeisen

Leonteq and Raiffeisen Switzerland Cooperative have extended their existing structured products cooperation agreement, which will run until 2026, by four years to 2030.

The two firms have refocused their cooperation to account for developments within the two companies to date. As a result all guarantees issued by Raiffeisen to Leonteq counterparties over the last few years and the existing credit facility provided by Raiffeisen to Leonteq have been terminated.

With the extension of the agreement Raiffeisen is seeking to expand its pension and investment activities and plans to begin issuing, hedging and distributing some of its structured products itself via a new Raiffeisen platform in the second half of 2022. It will be connected to Leonteq's existing service and technology platform - the extension of the cooperation is subject to the successful implementation of the technological connection by the first quarter of 2023.

Raiffeisen is one of Leonteq's largest white-labelling partners in terms of the volume of products outstanding.

'[The] cooperation has proved beneficial for both parties,' said Roger Reist (pictured), head of corporate clients, treasury & markets, Raiffeisen Switzerland.

Leonteq expects its annual net fee income to decrease by around one percent because of changes to the cooperation agreement and no material financial impact.

...and VP Bank

VP Bank, a Liechtenstein-headquartered bank, will use Leonteq's technology platform to issue and trade in structured products, and market these products to its clients, as part of a 'new, innovative white-labelling issuance model,' the bank said in a statement today (17 January). The partnership will enable the private bank, which already offers structured products through third parties, to 'assume the role of guarantor and take charge of distribution'.

Leonteq will in turn provide an international distribution mandate, giving VP Bank (as a guarantor) access to a global network of investors. VP Bank clients will then be able to choose from a range of products. The first guaranteed structured products are scheduled to be launched on the Leonteq platform in the first quarter of 2022.

'This collaboration, and the fact that we can assume the role of guarantor ourselves, mean that in future, we will be able to offer our clients a comprehensive and attractive range of structured products,' said Paul Arni, CEO of VP Bank.

Vontobel trading income up by 60%, more than CHF11 billion outstanding in structured products

The Swiss investment company has delivered a record result for 2021, and reported a 58% increase in trading income on its balance sheet from new issuance, hedging, and market making.

Vontobel has posted a profit after tax of CHF384m (US$415m) for 2021, an increase of 48% (2020: CHF259m). Operating income increased by 21% to CHF1.54 billion from CHF1.27 million in the previous year.

Advised client assets, which include structured products, grew by eight percent to CHF268.1 billion (2020: CHF248.2 billion), driven by the generally 'very positive market developments' and the performance of Vontobel investment solutions.

As of 31 December 2021, the outstanding volume of structured products issued was CHF11.3 billion, of which CHF3.2 billion came from actively managed certificates (AMCs). Growth has been delivered across all client units, according to Zeno Staub (pictured), chief executive officer at Vontobel.

"Eighty percent of our revenues do come from asset management and wealth management, highlighting the robust repeatable business model we have filled as a global investment firm," said Staub, speaking during the results press conference on 9 February.

Mutual fund underlyings stage comeback in Brazil

The Brazilian structured products market recorded estimated sales volumes of US$99m for 51 products tied to mutual fund underlyings in 2021, SRP data shows.

Sales of fund-linked structures in Brazil have staged a memorable come back after a two-year lacuna. Last year's issuance and sales signal a bounce back from a once booming sector that yielded roughly US$543m in 2018, and subsequently shrunk to just US$12.4m in 2019. This figure further decreased to US$2.9m in 2020.

In 2021, however, mutual funds ranked as the third most popular underlying sector after risk control which accrued an estimated US$209m over 106 products, and Asia Pacific, which collected roughly US$120m over 24 products.

During 2020, mutual fund underlyings took a backseat to other markets and sectors including USA (71 products/ estimated US$260m), retail (59 products/ estimated US$159m), and software (43 products/estimated US$141.4m).

"Investors are always looking for diversification on the investments that they have on their portfolio," said Bruno Giannecchini, (pictured) head of product structuring at XP. "However, it's not that simple to have access international funds in Brazil due to some restrictions on the market. Also, not all the managers have a local fund to offer to local clients."

About 40 of the products (US$92m) fell under the fund asset class in 2021 while 11 products worth US$7.2m fell under the hybrid class. The most popular underlying within the mutual fund sector during 2021 was the Man AHL Target Risk D EUR Fund which accounted for 50 structured products worth US$96m.

Additionally, other dominant underlyings included the Brazil Consumer Price Index (11 products/US$7.2m), and proprietary index offerings by Morgan Stanley such as the Morgan Stanley Investment Funds – Asia Opportunity Fund (one product/ US$2.3m).

The top issuers for these products in 2021 were Banco XP, which issued 48 products worth an estimated US$96.2m, while Morgan Stanley issued three products worth roughly US$2.9m.

The payoffs for the products in 2021 were split between uncapped call, which accounted for 28 products worth an estimated US$44.2m, and enhanced tracker, which extended across 23 products worth US$55m.

DIVERSIFICATION

According to Giannecchini, the certificate of structured operations (COE) is one of the best instruments for diversification of allocation in terms of investments.

"We saw the CoE as a local structured note that can be linked to almost all asset classes worldwide as an opportunity last year to tackle this. We began this process in late 2020, but it gained more traction last year," he said.

In terms of proprietary indices, XP only offers underlyings linked to exchange-traded funds (ETFs) and not mutual funds.

"We didn't see that as necessary because we picked the funds in a manner that does not require any systematic treatments to be put inside of an index. It is something that can be done, but it's not something that we are doing right now," Giannecchini said.

The firm believes that the COE is an evolution of a structured fund, which is something that has lost popularity over in recent years due to the displacement by the note.

"Investors are always looking for diversification on the investments that they have on their portfolio

Halo debuts Morningstar linked structured notes

The US platform expands its structured notes lineup and adds Morningstar research to help financial advisers meet the savings and retirement goals of their clients.

Halo has announced the launch of a new structured note offering tied to the Morningstar Wide Moat Focus Index.

The index focuses on US companies that Morningstar believes to possess sustainable competitive advantages or 'economic moats'.

The structured notes allow financial advisors to have equity exposure to the Morningstar Wide Moat Focus Index with the extra benefit of downside protection, which can help investors anchor their long-term portfolio strategies.

Halo has also incorporated elements of Morningstar equity research into its full suite of investment tools, resources, and analytics for financial advisors. Timely investment ideas on the platform will be paired with context from Morningstar's independent equity research.

'Halo has lower investment minimums, transparent pricing, and documents the full client reporting process, making it easier for financial advisors to add structured notes to their portfolios,' said Jason Barsema (pictured) co-founder and president of Halo. 'By expanding our structured notes lineup and adding elements of Morningstar's respected research to Halo, we are helping financial advisors meet their clients' savings and retirement goals,' he added.

The firm has been making waves in the structured products industry and recently raised US$100m in series C funding with a collective investment backed by Owl Capital. This includes the Mubadala-backed US$1 billion fund managed by Abu Dhabi Catalyst Partners, along with existing investors Allianz Life Ventures and William Blair.

Halo has expanded its offering over the past year with the addition of buffered ETFs and indexed annuities to its platform – the US platform has also onboarded more than 40 global banks and carriers.

> **We are seeing increased interest in structured notes**

Halo first entered the buffered ETF market after announcing a partnership with Allianz Life Insurance which debuted its first series of buffered outcome funds in April 2020.

Since broadening its coverage, the emphasis on ensuring that advisers and other clients are fully aware of the complexities of such sophisticated products has grown significantly.

'As financial advisors look beyond the conventional mix of stocks and bonds to protect and preserve their clients' retirement assets, we are seeing increased interest in structured notes based on differentiated market indexes,' said Peter Dietrich, global head of business development for Morningstar Indexes.

The SRP US database lists 21 structured notes linked to Morning Star Wide Moat Focus indices, with strike dates dating back to October 2007. The majority were issued on the paper of Goldman Sachs (16 products), while there were also products from HSBC Bank (three), Deutsche Bank and Citigroup (one each).

… EXPANDS EUROPEAN FOOTPRINT

Halo Investing Europe has become a new partner member of the Swiss Structured Products Association (SSPA) replacing Swiss broker Picard Angst, which brought the platform to Europe as a partner.

Designed as a one-stop shop multi-issuer hub, the platform offers standard modules for trade ideas, a subscription desk, a custom note builder, as well as an order and lifecycle management tool targeted at the buy-side.

In October 2021, the US platform secured US$100m in series C funding from major investors which will be used to drive the company's global expansion as well as new product developments. The firm appointed René Raabe in December as head of enterprise sales to drive the firm's expansion in Europe.

With 42 members across the entire value chain - issuers, trading platforms and buy-side, brokers and partners, the SSPA represents the interests of the market's top players, which together account for more than 95% by volume of structured products in Switzerland.

AIG, Athene launch indexed annuities amid market boom

US insurers AIG Life and Retirement and Athene Holdings have each launched annuity products to cater to a growing demand for protection among retirement clients.

AIG has introduced its structured outcome variable annuity 'Advanced Outcomes Annuity' issued by American General Life Insurance Company. The annuity targets higher growth than other traditional structured annuities and seeks a level of downside protection, through investment strategies developed with Milliman Financial Risk Management.

The Advanced Outcomes Annuity is a new category of structured investing where financial professionals and their clients can 'own the moment and drive investment outcomes,' according to Bryan Pinsky (pictured), president, individual retirement, AIG Life and Retirement.

The annuity provides three downside protection options that reduce the impact of market downturns including par down (pre-defined percentage of a market decline), floor (maximum market loss) and buffer (pre-defined level of protection against market losses).

There also exist three options for the annuity to capture growth potential. These include par up (pre-defined percentage of market gains), spread (gains related to a market index less an initial, pre-defined percentage), and stacker cap (the market gains of an index such as Nasdaq-100 added to the S&P 500, each up to a pre-defined level).

The Advanced Outcomes Annuity is the first of its kind to offer structured strategies with a fund investment term of six months, as well as traditional one-year and six-year strategies. The six-month fund investment terms seek to provide increased flexibility and control by providing financial professionals and their clients the opportunity to adjust the investment strategy more frequently.

Athene announced the launch of its new indexed variable annuity (IVA) Athene Amplify 2.0, which offers next-generation accumulation potential with a level of downside protection in volatile markets.

Amplify 2.0 consists of features that can allow investors to achieve their long-term objectives for asset appreciation in accordance with their risk tolerance. These features include two buffer options, 10% and 20%, for a level of downside protection, three term periods to manage market volatility, and five complementary indices plus two unique crediting options that give clients more control over their money.

The IVA gives investors the potential for index-linked interest earnings that may even exceed index returns by offering participation rate strategies in addition to the cap rate strategies offered on similar products.

Currently, investors who choose a six-year term and a 10% downside buffer with a 0.95% annual segment fee can earn uncapped returns equal to 140% of any growth in the S&P 500.

'Athene Amplify 2.0 reflects our commitment to satisfy evolving consumer needs as they plan for retirement,' said Grant Kvalheim (right), chief executive officer and president of Athene USA. 'We're confident it will become the preferred solution for producers seeking to offer clients more participation in market gains as they manage downside risk.'

SRI DATA

The explosion in growth of annuities in the US market has been noted by the Secure Retirement Institute (SRI), which recorded a 16% jump in annuity sales during 2021.

Total US annuity sales were US$254.8 billion in 2021, representing the highest annual annuity sales since 2008, and the third highest sales recorded in history.

Registered index-linked annuity (Rila) sales broke records in the fourth quarter and for the year. Q4 21 Rila sales were US$10.6 billion, 26% higher than prior year. Rila sales for the entire year stand at US$39 billion, a 62% increase from the prior year.

Fixed indexed annuity (FIA) sales totalled US$16.6 billion in Q4 21, an 18% increase from fourth quarter 2020. FIA sales were US$63.7 billion in 2021, up 15% from prior year, which marks the largest annual growth for FIA products in three years.

'Improved interest rates and product innovation around cap rates helped address the pricing challenges FIA carriers faced early in 2021, making the products more attractive to investors,' said Tod Giesing (right), SRI assistant vice president and head of annuity research.

'In addition, we see growing interest in accumulation-focused FIA products, as investors seek principal protection with greater investment growth to offset rising inflation.'

Rilas poised to hit US$50 billion landmark by 2026

The recent boom of the registered index-linked annuity (Rila) during turbulent markets led to retirement clients swapping out fixed index annuities (FIA) for the more stable alternative.

Rilas sales, which reached US$39 billion in 2021, appear to be on track to cross the US$50 billion milestone by 2026, according to a Cerulli report.

The report states that Rila sales more than doubled in 2020 reaching US$24 billion from US$11 billion in 2018. Activity was largely driven by broker-dealer, advisor awareness and understanding (85%), large insurers entering the space (80%), and increasing supply (80%).

According to Tamiko Toland (pictured), annuities director at Cannex, the shift towards Rilas is rooted in the perception that FIAs are antiquated and still possess product design qualities which were historically well suited to client needs but have yet to catch up in terms of innovation.

"In terms of FIAs, a factor that continues to be a concern for some is that people were generally attached to a very common bond market index like the S&P 500," she said. "As insurance products, they can be sold by non-securities-licensed insurance agents so, as a result, there were some agents promoting advice framing FIAs as if they were an investment in a broad market index, but with no risk. This was obviously an incorrect characterisation."

Nevertheless, FIA sales indicate that the annuity fixtures are still popular and have carved out a niche clientele. The Secure Retirement Institute (SRI) states that FIA sales reached US$63 billion during 2021, a 15% increase from the previous year and the largest annual growth in three years.

However, Toland emphasises that Rilas have been making more noise in the industry than FIAs because of their increased upside potential.

"When you conceptualize FIAs as fixed annuities and not as a structured product (even though they're both very much structured), the fact that you cannot lose money is important with the FIA, as far as what the clients can expect," she said.

According to Toland, not only will the industry see a plain vanilla Rila grow, but also more innovation in terms of adding benefits, and combining with other structures as well as figuring out how to utilize them as an asset class.

"This is something that people are already doing, but I think that we'll see more of that kind of work being done in addition to different crediting structures," said Toland.

Consumer demand will ultimately drive the availability of thematic indices in any of these products, as it is not something fundamental to product design.

"It's not that is not a product design issue, it's a market demand issue," said Toland.

US regulators eye ESG disclosure standards amid rising interest

The US structured products market has fostered an increased interest in ESG-related products over the past year, in which a more active shift toward sustainable investing can be noted.

While the market has yet to catch up to its advanced European counterpart, it its rising popularity is not going unnoticed by regulators.

The CFA Institute released global ESG disclosure standards for investment products at the end of 2021 in response to the growing phenomenon. The standards also include guiding principles for investment product ESG disclosures, designed to assist creators of investment products who adopt the standards to comply with the requirements when making investment product ESG disclosures.

According to Anna Pinedo, partner at law firm Mayer Brown, the topic of ESG-

> **The fact that you cannot lose money is important with the FIA**

related structured products is a heavy focus of the Securities and Exchange Commission (SEC). Under the current rules, if a fund or a product has an ESG focus, then it cannot be marketed in a way that is misleading.

"This has also raised concerns on the part of several clients who are making sure that if they're advertising or promoting certain indices as ESG indices, that there is indeed real substance behind that claim," said Pinedo.

SRP data shows that about US$444m (179 products) worth of US structured product sales in the US market fell under the ESG underlying group in 2021, compared with just US$16m (38 products) in 2020.

Roughly US$411m in sales are tied to the iShares Global Clean Energy ETF, while US$65m are linked to Invesco Solar ETF.

Dominant asset classes include exchange-traded funds (ETF) (142 products/US$418m), single equity indices (24 products/US$13.6m), and hybrid structures (13 products/US$12.7m). The top payoffs used to deliver ESG strategies included autocalls (90 products/US$225m), enhanced trackers (77 products/US$208m), and capped calls (67 products/US$201m).

LIBOR ISSUES

Looking at the wider structured products regulatory landscape, significant client concerns and issues remain linked to the ongoing Libor transition, according to Brad Berman, counsel at Mayer Brown.

These include concerns from many clients using proprietary volatility indices, with the index toggling between ETFs and cash with the cash proponent being US dollar Libor for many of these indices.

"The banking regulatory agencies came out with letters telling banks and financial companies that they could not issue US dollar Libor instruments or contracts after the end of 2021," said Berman.

Many of these banks who had these indices, also had existing contracts to issue options on the indices.

"These clients were concerned that they would no longer be able to do so. We looked at the guidance, which was not instructing parties that had to breach existing contracts. So, if you had an existing contract to issue options on index with a Libor element, you could keep issuing the options."

There is also the derivatives aspect of the Libor issue in that all these notes must be hedged, pointed Pinedo, noting that the Commodities Futures Trading Commission (CFTC) has also been focused on promoting SOFR and penalizing derivatives dealers for using anything other than them SOFR (like BSBY or Ameribor).

"We continue to see that, and it remains an issue. October 2021 was the effective date of the security-based swap dealer rules. For several structured products, the way that they are hedged is using security-based swaps. So, it was very important that the rules became effective," she said.

In terms of compliance and enforcement, the SEC has been looking at and examining how broker dealers are complying with their Regulation Best Interest requirement.

The firm anticipates that the SEC will continue to focus on complex products while chairman Gary Gensler has made several speeches, in which he has said that he's looking at financial advice that uses artificial intelligence.

"There will also be a focus on additional rules and regulations related to certain derivatives so that might have a knock-on effect for structured products. Those are all areas where there might be more activity," she said.

Simon reports 94% increase in volume

US multi-issuer structured products provider has reported a year-over-year increase in volume of +94% and usage of +67%.

The platform also announced several new strategic partnerships to expand its product offering for financial professionals and released several enhancements to its digital platform to improve the way advisors manage client accounts.

'Simon closed out 2021 with several milestones that underscore the velocity of the growth we're experiencing - we introduced a partnership with +Subscribe to power our new marketplace for alternatives, collaborations with Envestnet, FIDx, and Fidelity that expand the reach of our platform's capabilities across wealth managers and RIAs, and an integration with Rowboat Advisors that enhances the capabilities of our portfolio allocation tool, Simon Spectrum,' said Jason Broder, CEO of Simon.

According to SRP data, there are 6,623 products listed on the Simon Platform with a value of US$18.5 billion. Goldman Sachs with US$10 billion is the most active issuer on Simon followed by J.P. Morgan, TD Securities and Morgan Stanley.

Simon Markets is owned by a consortium of seven financial institutions, including Goldman Sachs, Barclays, Credit Suisse, HSBC, J.P. Morgan, Prudential and Wells Fargo.

Innovator debuts 'laddered allocation buffer' ETF

The US provider of defined outcome exchange-traded funds (ETFs) has announced the arrival of a new ETF structure, which launched on Cboe and features the US Equity Buffer ETF as underlying.

The Innovator Laddered Allocation Buffer ETF (BUFB) joins the Innovator Laddered Allocation Power Buffer ETF (BUFF) in the firm's managed outcome ETF lineup.

BUFB will provide investors with potential higher upside participation in US large cap stocks in positive markets relative to BUFF, yet still provide a smoother overall ride with lower drawdowns than investing naked in beta, according to Bruce Bond, chief executive officer at Innovator.

"Since the underlying US Equity Buffer ETFs are paying for less protection - a nine percent buffer rather than the 15% offered by BUFF's underlying Power Buffer ETFs - they can participate in higher upside if the market trends 'up and to the right'," said Bond. "But BUFB still gives investors the assurance of lower volatility and drawdowns to the overall market, which can help investors stay the course."

The launch of BUFB represents the expansion of the firm's managed outcome ETF lineup which seeks to offer 'tax-efficient and diversified portfolios' based on Innovator's family of Defined Outcome ETFs.

With 80 Defined Outcome ETFs, including the flagship suite of US Equity Buffer ETFs, Innovator's range of managed strategies are aimed at simplifying and streamline the defined outcome investing process for advisors looking to allocate to solutions at any point in time.

With nearly US$6 billion in the firm's lineup, the defined outcome ETFs have been a success as some allocation-focused wealth managers prefer simpler yet methodical solutions that that they can allocate to at any time without evaluating all the details of where the market is trading, the product caps, buffer levels and outcome periods.

"There is a big market for these diversified, professionally managed solutions

"Knowing they are buffered from certain stock market declines over the next year or quarter is less important for them. They just want some upside exposure while reducing volatility relative to the market - and increasingly they also want to shed some of those negative real yielding bonds and the interest rate risk that comes with them," said Bond.

The defined outcome ETF space has been all about innovation since Innovator created the category with the first buffer ETFs in August 2018, says that 2022 will be no different.

"We are looking to add some more tactical strategies to our managed outcome ETF lineup that will build on our team's options market expertise to provide novel strategies for investors looking to add some alpha via options-trading without evaluating individual defined outcome ETFs," he said. "There is a big market for these diversified, professionally managed solutions that build on the infrastructure that has been developed in the space."

In terms of thematics, the firm has identified several areas of interest that can be integrated by combining options in the ETF wrapper. One such area that the firm is evaluating is providing hedged exposure to Tesla (TSLA).

"We filed for the Innovator Hedged Tesla ETF (TSLH) recently and think that is something that a lot of investors could find compelling, an ETF that seeks to provide a floor against significant losses on a quarterly basis but an attractive upside cap over any three-month timeframe that can be invested in whenever," said Bond.

The firm anticipates some platform approvals at national wealth managers and more investors finding their way to these structured ETFs via large, prestigious networks of advisors.

"The successful track records of these ETFs, from performance during down markets to over 100 seamless product resets and tax-efficiency to portfolio implementation, to the breadth of exposures to the depth of liquidity and all the assets that have been gathered, not to mention the lower costs relative to other wrappers," said Bond. "It all adds up to a lot more growth for this space."

Maybank to launch dispersion warrants after record year

The Malaysian bank's wealth management arm in Singapore has recorded a significant increase in structured products trading in 2021.

Maybank Private (Singapore) has delivered an approximate 30% increase in trading volume of structured products in 2021 compared with a year ago, in what it considers an exceptional year.

In the meantime, the assets under management (AuM) of structured products doubled in 2021 year-on-year due to buoyant equity markets and active advisory, according to Alice Tan (pictured), head of private wealth and head of products and investment solutions at Maybank Singapore.

"At Maybank, the structured product business is a significant engine of growth for our wealth management franchise," Tan told SRP.

The inflows into structured investment warrants in 2021 came from private clients with no less than US$1 million in investable assets at Maybank.

"[We] have successfully traded warrants that capture market upside via equity indices, provide hedging through commodities, and allow clients new route to market through funds," said Tan, without disclosing the traded volume.

The majority of the warrants have a tenor of no more than three months, which enables clients to quickly execute an investment view.

"In early March 2021, the decline in the Hang Seng Tech Index [HSTECH] saw attractive warrant pricings," she said. "Our clients were able to use a call spread strategy to capture the gyrations in Chinese technology stocks while enjoying the diversification benefits of referenced index."

> **Our focus in Q1 2022 is to scale up our business in the non-directional dispersion warrants**

The start of the year has continued to feature the uncertainty brought by the Covid-19 pandemic and aggressive rate hikes, which puts pressure on the demand for structured products.

"Our focus in Q1 2022 is to scale up our business in the non-directional dispersion warrants. These products benefit investors in an uncertain market environment and rising volatility," said Tan. "We see opportunities in non-directional play such as dispersion warrants, outperformance notes and shorter-tenor structured products."

On the ESG investment side, the Malaysian bank has taken part in Société Générale's charity notes programme, which donates a percentage of the nominal value of equity-linked flow notes distributed by Maybank to sponsor CARE France, a humanitarian organisation. The programme has also onboarded United Overseas Bank (UOB) in Singapore.

With an open architecture model, Maybank currently works with a list of more than 10 investment banks active in the structured products market. While the warrant business is nascent, investors have become more willing to explore other yield enhancement solutions beyond the usual autocallable structures.

In addition, the bank launched fixed coupon notes (FCNs) with one-star feature for its Premier clients last year – these products guarantee the principal as long as one underlying in the reference basket performs at or above the set barrier.

"In 2021, we have seen a shift in clients' preference for a lower put strike in place of a knock-in barrier for FCNs," said Tan. "We expect FCNs to continue to be one of the popular payoffs in Q1 2022."

The bank has also seen investors showing interest in special purpose acquisition companies (SPACs) following last week's inaugural batch of SPAC listings at Singapore Exchange, namely Vertex Technology Acquisition and Pegasus Asia.

"Referencing to the development of SPACs in the US markets, we will suggest that clients remain selective when they participate in SPACs," said Tan.

Americas EQD boost Nomura's revenues

The Japanese bank's equity derivatives (EQD) net revenues remained solid in the Americas.

Nomura Holdings has posted a net revenue in its global markets (GM) business of JPY163.8 billion (US$1.42 billion) from October to December, a 19% increase quarter-on-quarter (QoQ), or down 13% year-on-year (YoY), according to its latest quarterly earnings.

Cash equities also delivered 'robust performance' in Americas. 'Although securitised products revenues increased, fixed income revenues declined QoQ due to a slowdown in rates,' said the bank referring to the region.

Equities and fixed income accounted for 46.3% and 53.7% of the GM net revenue, respectively. The Americas was the only region delivering growth in the equities division as Asia ex-Japan saw its equities net revenue falling by 15% QoQ mainly due to derivatives and a slow-down in Japan's cash equities business.

'In wholesale, our global markets business reported a rebound in credit and FX/EM in Asia ex-Japan and equity derivatives in the Americas,' said Nomura President and Group CEO Kentaro Okuda (pictured).

GM contributed to 80.8% of the net revenue at the wholesale segment while the remaining was from investment banking.

By region, Americas remains the main market making up 41.9% of the wholesale revenue, or JPY84.9 billion, which represented a recovery from a loss of JPY126 billion from January to March and a net flow of JPY18 billion from April to June.

Next in line are Japan, Asia-ex Japan and Europe, the Middle East and Africa (Emea) with a respective share of 23.1%, 20.6% and 14.4%. Nomura exited the EQD business in Emea in 2016, as reported by SRP.

From October to December, Nomura International Funding issued 189 structured notes with a total notional of US$686m-equivalent in Taiwan and one five-year credit-linked note distributed by Sberbank CIB in Russia, SRP data shows.

The autocallable products in Taiwan tracked unspecified share baskets and featured snowball, range and accrual payoffs - there were 120 products with a tenor between one to three years with the remaining lasting for less than one year, according to SRP data.

Groupwide, wholesale continues to be the backbone segment after generating 57.7% of the entire net revenues in Q3, followed by retail (24.9%) and investment management (11.4%).

In the meantime, the total pre-tax income rose 4.3x to JPY80.1 billion QoQ, or down 39% YoY, of which wholesale, investment management and retail accounted for 50.9%, 25.5% and 22.5%, respectively.

Retail reported net revenues of JPY87.4 billion in Q3, up three percent QoQ and down 11% YoY. Investment management net revenue was JPY40.1 billion yen, translating to an increase of 17% QoQ and two percent YoY.

'Investment management saw continued global inflows across various channels, lifting assets under management to an all-time high (JPY68.5 trillion),' said Okuda. 'In retail, we made progress toward a more stable revenue mix, as higher recurring revenue assets drove growth in recurring revenue underpinned by our continued focus on the total assets of our clients.'

> **"In wholesale, our global markets business reported a rebound in credit and FX/EM in Asia ex-Japan and equity derivatives in the Americas**

Korean ELS rebounds in 2021 despite fallen private placements

The total traded volume of equity-linked securities (ELS) and equity-linked bonds (ELBs) have increased in 2021 year-on-year (YoY) led by public offerings that feature overseas index underlyings.

That amount reached KRW72.2 trillion (US$60.2 billion), up 4.5% YoY, which also represented a 27.8% decline compared with the peak recorded in 2019, according to a report released by Korea Securities Depository (KSD).

ELS accounted for 68.2% of the issuance amount, or KRW49.2 trillion, which translated to a 14% increase YoY, while ELBs dropped 14% to KRW22.9 trillion in 2021.

Public and private offerings made up 89.7% and 10.3% of the whole issuance, respectively – the proportions were 83.9% and 16.1% in 2020. The fall of private offerings from KRW11.4 trillion to KRW7.4 trillion occurred after Korean regulators imposed a series of rules, which involve private placements.

In terms of outstanding balance, ELS and ELB posted KRW34.1 trillion and KRW23.5 trillion as at end of 2021, which declined 7.8% and 3.6% YoY, respectively. Together, they fell 6.1% to KRW57.6 trillion YoY, representing the lowest level since 2018.

By underlying asset, 68.5% of the total issuance was linked to indices while 21.5% to domestic individual stocks. Although the proportions remained stable compared with a year ago, an increasing inflow was seen in major overseas index underlyings - the S&P 500 and Eurostoxx 50 recorded KRW42.3 trillion and KRW36.2 trillion, which were up 15.6% and 16.4%, respectively.

In the meantime, the Kospi 200 and Nikkei 225 accounted for KRW27.9 trillion and KRW9 trillion, which translated to a decline of 0.9% and 13.9%, respectively. The Hang Seng China Enterprises Index and Hang Seng Index were stable as their respective issuance amount were KRW19.1 trillion and KRW407.1 billion, respectively.

In 2021, Mirae Asset Securities has kept its crown as the largest issuer through a total traded volume of KRW9.7 trillion, which translated to a market share of 13.4% - a decline from the 17.2% registered in 2020.

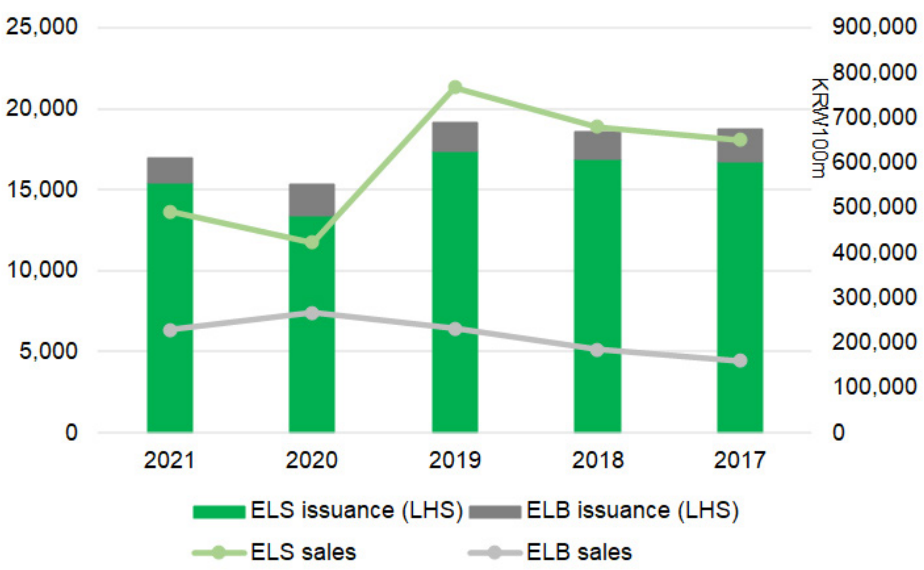
Korea Investment Securities (KIS) was the runner up replacing KB Securities, which retreated to the third place. Its issuance amount grew 16.4% YoY to KRW8.1 trillion, representing a 11.2% market share.

Meanwhile, Meritz Securities and Shinhan Investment took the last two seats in the top five league table through a total ELS and ELB issuance of KRW7.4 trillion and KRW7 trillion, respectively. They took over NH Investment & Securities and Samsung Securities, each of which had a 9.8% market share in 2020.

The top five issuers together accounted for 55.4% of the ELS and ELB issuance amount in 2021 – the proportion was 58.9% in 2020.

By repayment type, there was KRW50.3 trillion redeemed early, accounting for 66.1% of the total repayment amount – a stable level compared with a year ago. The maturity repayment and interim repayment amounted to KRW23.8 trillion and KRW2.5 trillion, making up 31.2% and 2.7%, respectively.

South Korea: ELS and ELB sales & issuance by year



Source: Korea Securities Despository

Spotlight on… top issuers in Japan

The total traded volume of equity-linked securities (ELS) and equity-linked bonds (ELBs) have increased in 2021 year-on-year (YoY) led by public offerings that feature overseas index underlyings.

2021 saw a steady performance from the Japanese structured products market. The 793 products that were issued between 1 January and 31 December collected an estimated JPY1.68 trillion (US$15.3 billion) – a slight increase from the previous year (FY2020: JPY1.58 trillion from 759 products).

Issuers (15 in total) were a mix of local banks/securities houses, Scandinavian government funding agencies, and European/US investment banks.

Mitsubishi UFJ, which achieved sales of JPY410 billion from 85 products, was the most active issuer group with a share of just under a quarter of the market (24.5%).

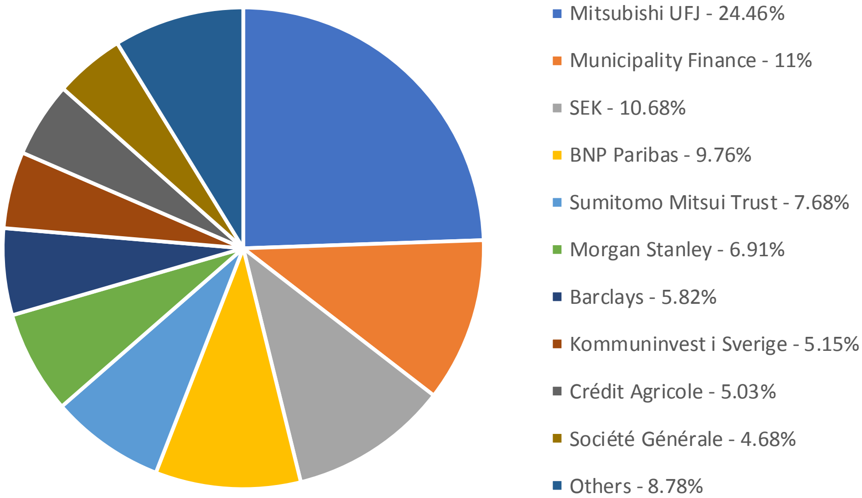
Municipality Finance (MuniFin), a company owned by Finnish municipalities, pension fund Keva, and the Republic of Finland, came second with an 11% share of the market while SEK, a Swedish state-owned export credit corporation, completed the top three with a 10.7% market share.

The same three issuers dominated the table in 2020, albeit in a slightly different order: Mitsubishi UFJ (24.7%), SEK (12.1%), MuniFin (8.9%).

The best-selling product of the year was issued on the paper of Morgan Stanley. KI M20260610, a five-year registered note linked to the Nikkei 225 and S&P 500, sold JPY23.2 billion during its subscription period. It pays a potential annual coupon of seven percent and Bank of New York Mellon acts as the derivatives manufacturer.

Goldman Sachs was responsible for the best performing product in 2021. The bank's 複数指数連動M20231124 saw its knockout feature triggered at the first time of asking – three months into a three year tenor – after both the Nikkei 225 and S&P 500 closed above 105% of their starting price, returning 103% (15.25% pa). It was distributed via 82 Securities and sold JPY4.6 billion at inception.

Japan: top 10 issuer group by market share in 2021*



Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Taipei Fubon Bank partners with Avaloq to scale PB business

The Taiwanese commercial bank, which has total assets of TWD3.6 trillion (US$130.8 billion), is working with Avaloq to build a wealth management platform for its private banking business in Hong Kong SAR, Singapore and Taiwan, according to Avaloq. The platform will incorporate financial products such as equities, currencies, mutual funds, dual currency investment and structured products like equity-linked notes. Meanwhile, the initial deployment will focus on customer relationship management (CRM), know-your-customer (KYC), regulatory compliance and product management. 'For Taipei Fubon Bank, the key considerations of the selection process were effectiveness and adherence to regulatory requirements,' stated the Swiss software provider in an announcement. 'Avaloq's platform ticks both these boxes as it is compliant with key financial regulations. Also, it enables quicker time to market with comprehensive investment solutions, for onshore as well as offshore private banking offerings.'

SGX: derivatives revenue grows, DLC value up by 37% in H2 21

The exchange has reported 'healthy market share and yields' for its equity derivative products.

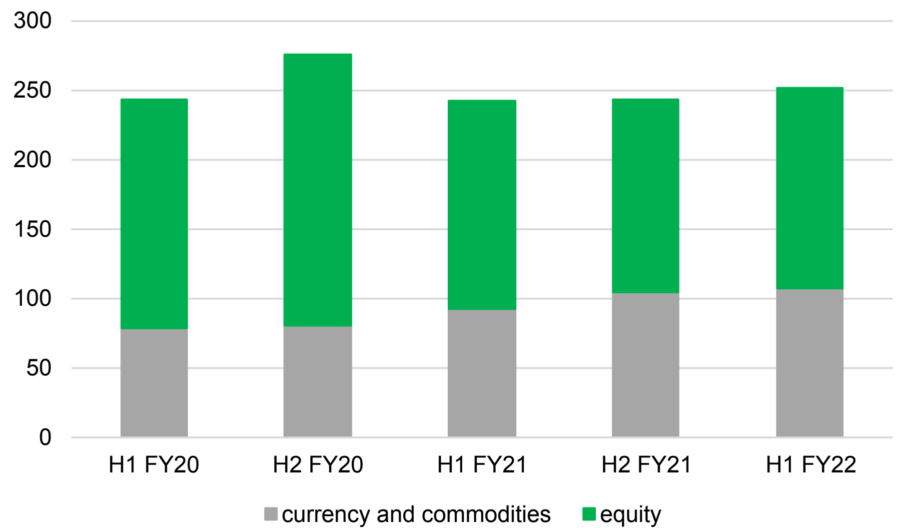
Singapore Exchange (SGX) has posted derivatives revenue of S$251,2m (US$187.2m) in H1 FY22 ended in December 2021, up 3.7% year-on-year (YoY), despite a slowdown in equities.

Equity derivatives accounted for 57.2% of the revenue, or SG$143.8m, translating to a 3.9% decrease YoY, while currency and commodity derivatives saw their revenue climb by 16.1% to SG$107.4m, according to the exchange.

The two types of assets classes made up 28% and 21% of the total revenue at SGX in the half year, respectively.

'Our underlying core revenue has grown, with strong performance in our currencies and commodities, healthy market share and yields for our key equity derivative products, as well as steady growth in our market data and index business,' said Loh Boon Chye, CEO of SGX.

Singapore Exchange: derivatives revenue by asset class (SG$m)*



*Every fiscal year starts from July

Source: Singapore Exchange's Interim reports

For equity derivatives revenue, trading and clearing accounted for SG$131.3m, up 19% YoY, while treasury and others contributed SG$12.5m, down 68%.

'Trading and clearing revenue increased mainly due to higher average fees from SGX FTSE China A50, Nifty 50 and FTSE Taiwan Index futures,' said SGX.

For currency and commodity derivatives revenue, trading and clearing contributed SG$84.2m, up 18% YoY mainly due to higher clearing revenue from BidFX and increased volumes, while treasury and others generated SG$23.2m, up 10% driven by higher revenue from platform services.

Commodity derivatives volumes increased 17% to 14.1 million contracts YoY while currency derivatives volume increased 6.8% to 12.6 million contracts.

By segment, equity revenue declined by 4.6% to SG$334.5m from July to December YoY, 57% of which came from cash while the remaining from derivatives (SG$143.8m). FICC revenue increased 15% to S$114m YoY, of which derivatives and cash accounted for 94.2% and 5.8%, respectively.

Data, connectivity and indices revenue rose 3.4% to SG$73.1m, translating to 14% of total revenue for the exchange.

LISTED STRUCTURED PRODUCTS

The second half of 2021 ended up being more bullish for listed structured warrants (SWs), but not listed daily leverage certificates (DLCs), in terms of traded volume and value, according to SGX's monthly reports.

SWs, which are exclusively issued by Macquarie Bank, recorded an average monthly traded volume of 4,715 contracts with a value of SG$354.7m from July to December – their respective growth was 33.3% and 24.1% YoY.

In addition, the Australian issuer marketed 239 new listings – 91 of them took place in December, which was higher from the 196 in the second half of 2020.

As the sole issuer of DLCs, Société Générale saw its average monthly traded value fall 33.3% to SG$147.2m in the second half of 2021 YoY despite a stable average monthly volume at 1,074 contracts. Meanwhile, 63 DLCs went listed during the period, higher from the 41 YoY.

Compared with the first half of 2021, the value and volume grew 37.1% and 23.1%, respectively.

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Feature: Poland, a tale of two stories

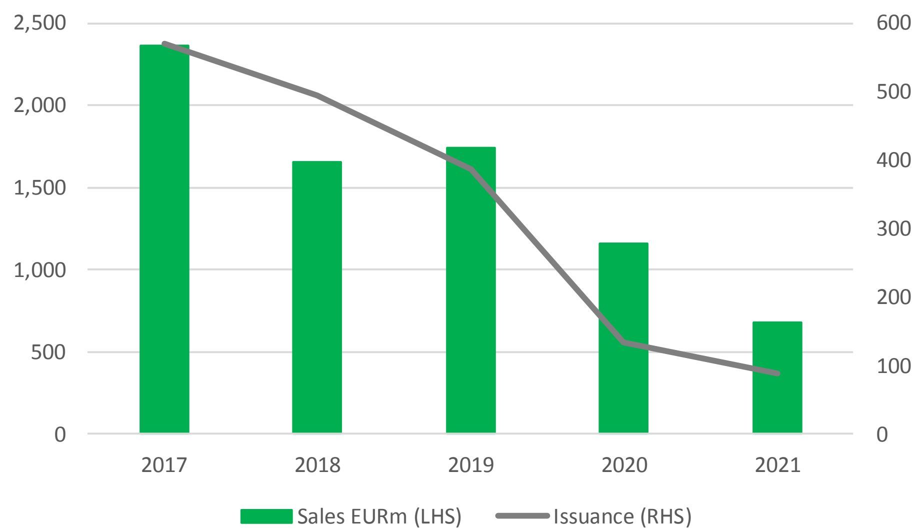
SRP provides an overview of the structured products landscape in Poland in 2021.

Looking at the evolution of the Polish structured products market in recent years, it really is a tale of two stories. On the one hand, there is the market for traditional, mainly capital-protected products, which, hampered by the low interest rates, have seen sales volumes decline by more than 70% in the past five years.

On the other end of the spectrum, the listed structured products on the Warsaw Stock Exchange (WSE), and especially the turbo certificates, have gone from strength to strength, registering a turnover of €680m (PLN3.1 billion) in 2021 – an increase of more than 200% since 2017.

In this feature article, SRP spoke to market participants and although there will be challenges ahead, the overall outlook is positive, with a bright future predicted for both capital-protected products and listed certificates.

Poland: evolution structured products market 2017-2021*



Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Ninety structured products had strike dates in Poland during 2021. The total volume for the year, at an estimated €682m, included €628m that was gathered by (partially) capital-protected products – down from €1.1 billion that was collected in 2020, according to SRP data.

The largest decrease in volumes of structured deposits and capital protected notes on the Polish market was observed in 2020, according to Monika Pawlak, structured product manager, Santander Polska.

The direct cause was a sharp drop in interest rates in the first quarter of 2020, from approximately two percent per

Poland: sales by capital protection* (equivalent of EURm)

	2017	2018	2019	2020	2021
Equal to 100%	950.57	998.02	1,231.71	1,007.92	489.61
Above 0% and below 90%	22.59	50.04	0.00	14.42	138.29
Equal to 0%	326.45	350.37	151.99	52.13	53.86
Equal or above 90%, below 100%	44.31	47.06	105.55	20.60	0.00
Above 100%	1,016.43	212.53	252.85	66.08	0.00
Total	2,360.35	1,658.02	1,742.10	1,161.15	681.76

*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Poland: sales by asset class* (equivalent of EURm)

	2017	2018	2019	2020	2021
Share basket	388.05	414.02	523.09	224.21	400.69
Single index	284.34	365.14	190.64	111.88	143.36
ETF	4.22	4.64	0.00	109.41	60.89
Single share	75.18	43.34	120.71	15.9	45.31
FX rates	1,170.21	544.95	777.95	494.39	17.58
Commodities	30.86	1.6	70.14	169.65	0.67
Fund	75.51	35.32	22.12	14.4	0.00
Others	331.98	249.01	37.45	21.31	13.26
Total	2,360.35	1,658.02	1,742.10	1,161.15	681.76

*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

annum to 0.5% per annum for five-year tenors and close to zero percent for short term deposits.

"It had a significant impact on the attractiveness of the capital protected solutions," said Pawlak.

"In case of the short term structured deposits it even led to the suspension of their offering by some banks. At that time the highest capital inflows were recorded by bond funds. This trend continued in the second half of 2021. Then long-term bond yields began to rise and as a result there was an outflow of capital from bond funds, mainly into foreign equity funds."

Marcin Serafin, director treasury department at Bank Millennium, which issued 11 structured deposits in 2021, agreed: "Last year was difficult because of low interest rates environment, however at Bank Millennium we did not stop offering capital protection products," Serafin said.

"Recent rates hikes support this business in 2022, which means we can offer better products for the customers – more vanilla options embedded and less barriers."

The low interest rates in Poland meant that just 70 (partially) capita- protected products were issued on the primary market in 2021, a decrease from 102 such products the previous year (and 275 in 2019).

At the same time, manufacturers found it hard to come up with suitable alternatives.

"Issuers issued less capital-protected products, but the alternative they offered, such as express certificates, weren't so easy to understand for clients, and they didn't offer attractive returns, even when combined with pure shares or ETFs," said Bartosz Sańpruch, senior product manager at ING Bank.

Not everyone suffered from the ultra-low interest rates climate though.

UniCredit had a very productive year in terms of its own structured products with sales volumes increasing by 140% year-on-year (YoY). The bank issued 14 products in 2021 worth approximately €60m, including three 100% capital-protected certificates that achieved combined sales of €37.5m

"We remained agile around client demand – finding the right solutions to match investors' needs and the right products for a low interest rate market environment," said Daria Stuhlmann, vice president, private investor products, CEE sales, at UniCredit.

"One of the main reasons for our standout performance is that we are in constant contact with our distributors and partners in Poland, listening to what they are saying and acting accordingly.

"This year's performance can also be attributed to our personalised approach. We seek to provide value-add services along the entire product lifecycle, not only before and after launching, through targeted training sessions for our distribution networks," Stuhlmann said.

The bulk of sales volumes in 2021, at €400m, came from the 53 products that were linked to a basket of shares. They were issued, among others, via BNP Paribas (20 products), Goldman Sachs (12), Alior Bank (11), and Santander (six).

UniCredit used share baskets specifically for its capital-protected products last year, although it does provide a wide range of underlyings – indices, funds, single stocks and baskets.

"One important angle is that baskets of stocks, particularly in Poland, are usually preferred if the distributors or counterparties have a particular view," said Tom Coufal, director, head of private investor products, CEE, at UniCredit.

FEATURE

"Numerous educational activities are undertaken in the scope of investing in structured products

Antonina Karwasińska, chair of the supervisory board, **Polish Council for Structured Products**

"They may have their own research and are requesting tailored products for their network," Coufal said.

The 13 products that were linked to single indices accumulated sales of €143m, but with this type of structure, there often is a catch, according to Coufal.

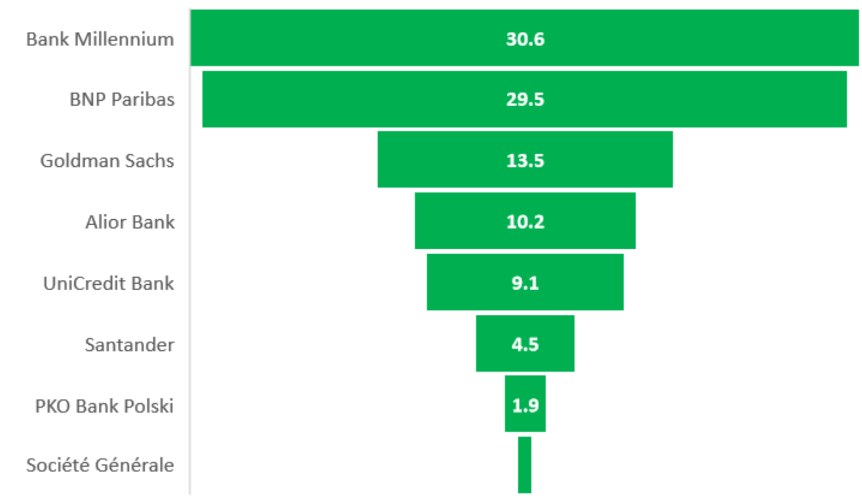
"When it comes to indices, index providers have increased their costs and so this has naturally become an important factor in pricing. That's why you're seeing more stock baskets," he said.

Despite UniCredit having its own proprietary indices, such as the UC Next Generation Energy Index, which was used as the underlying for HVB PLN Express Plus Certificate in September last year, Coufal believes there is often a hint of reservation from the market with this type, because the provider of the structured product and the index is the same entity, or they are connected.

"It is not usually very easy to get approval for this from the distribution network, so you need to look for other index providers and this can be a cumbersome process. An easy workaround in this context is to use share baskets," he said.

Another 11 products (€45m), including offerings from Bank Millennium, Goldman, and UniCredit, were tied to single stocks.

Poland: market share* issuers in 2021 (%)



Excluding flow- and leverage products
Source: StructuredRetailProducts.com

"The products linked to single stocks are usually tailor-made and this is the approach that we take. We are client focused on everything we do as we seek to deliver best-in-class solutions to our distributing partners and investors alike," said Coufal.

LISTED PRODUCTS

Away, from structured deposits and capital-protected notes, certificates listed on the secondary market experienced an excellent year, with turnover and number of trades at record levels.

Turnover of structured products on the WSE stood at €680m in 2021, an increase of approximately nine percent YoY (FY2020: €624m), while the number of trades, at 424,254 was up by two percent YoY (FY2020: 416,844).

"The year 2021 brought significant volatility on the Warsaw Stock Exchange, which had a positive impact on the market of structured products," said Antonina Karwasińska, chair of the supervisory board, Polish Council for Structured Products (Polska Rada Produktów Strukturyzowanych, or PRPS).

"Interest rates, which in Poland remained relatively low until October 2021, were also an important factor that led investors to seek alternative ways of investing," she added.

Karwasińska's views were echoed by ING's Sańpruch, with the Dutch bank experiencing a record year for its turbos in 2021, as turnover exceeded €435m on the WSE.

"The volatility in the financial markets during 2020 and 2021 allowed clients to use turbos in shorter terms, which boosted turnover," said Sańpruch.

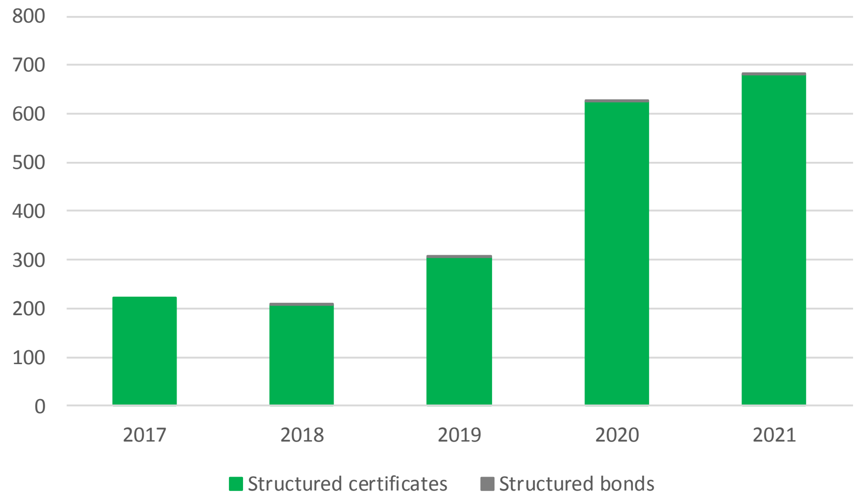
Currently, almost 2,500 structured certificates are listed on the WSE. Of these, turbo certificates enjoyed the greatest interest of investors (more than 1,305 listed products at the end of 2021), which resulted in a total turnover of €446.9m in 2021. The second place was taken by factor certificates (940 listed products at the end of 2021 and turnover of €127.3m).

Structured certificates with capital protection enjoyed much less interest than turbos and factor certificates. At the end of 2021 there were less than 80 such products listed with a turnover of €47m.

Despite the lack of demand for capital protected certificates on the exchange, Sańpruch doesn't believe many investors moved from structured deposits/capital protected products to turbos.

"Turbos are aimed at a different type of client [...] they have a completely different risk, and offered return," said Sańpruch.

Turnover structured products on the Warsaw Stock Exchange (EURm)



Source: Warsaw Stock Exchange

OUTLOOK

According to Stuhlmann, there are two things that will influence the Polish market in 2022.

"Firstly, I think we will see a rate hike again in Poland, most likely in the first half of the year," she said. "This might create opportunities for more vanilla investment products, like saving deposits, as they could become more attractive to local investors."

The environment will be challenging but with an increasing demand for structured and capital protected products the market is expected to grow further.

"We're also expecting high volatility in equity markets. Again, this can represent a good opportunity to enter via structured products. Products with conditional capital protection are interesting in this context, as they offer an optimal risk/return profile and alternative to investing directly in equities," Stuhlmann said.

Santander's Pawlak is also expecting a rebound of the structured products market on the back of a hike in interest rates in 2022.

"We believe that capital protected solutions will be the main beneficiaries of interest rate increases.

"The rates of around three to four percent per annum allow us to build an interesting offer of capital protected products for customers, both in the segment of short-term deposits as well as for three- to five-year bonds," Pawlak said.

Karwasińska (right) agreed with both Stuhlmann and Pawlak, as she too expects the upward trend of the structured products market to continue in 2022.

"Although the structured certificates are complex products, retail investors seem to choose them more and more often due to the relatively high profit perspectives, wide range of underlying instruments as well as possibility to choose various risk indicators," she said.

In addition, the Polish system of voluntary individual pension scheme account allows the possibility to invest in structured products, which also positively influences the demand.

"Moreover, numerous educational activities are undertaken in the scope of investing in structured products, including the initiative undertaken by Polish Council for Structured Products in cooperation with WSE to develop educational materials for retail investors," Karwasińska said.

France: performance analysis 2020-21: adapt and deliver

Our performance analysis of the French structured retail products market in 2021 shows a positive period for the industry and end investors in a market that continues to grow in size and choice.

Despite the challenges posed by the pandemic lockdowns, the dividend crisis and the autocallable woes caused by the market correction of 2020 which resulted in hedging issues and missing potential maturities, the French market bounced back in 2021 delivering value to investors and proving once again that structured products are an efficient way to deliver risk-adjusted returns.

For last year's analysis we reviewed over 3,000 products with maturity or potential early redemption dates between October 2020 and October 2021, of which 1,887 products matured or expired early. Of these, 7% reached their organic maturity date and 93% triggered early maturity.

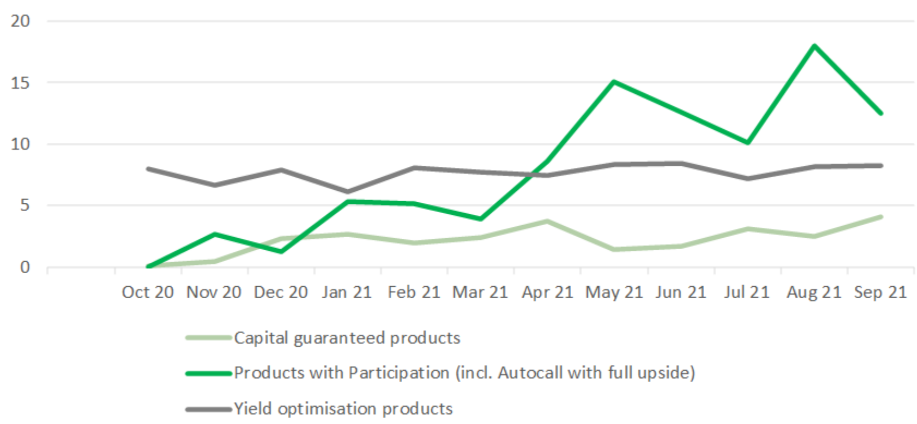
A break-down of the sample by underlying shows that index-linked products accounted for 70% of the maturities - most of these products were linked to optimised and bespoke indices such as decrement strategies. Products linked to stocks represented 20% of the total maturities.

Looking at the histogram of returns, structured products benefitted from the market uplift and delivered higher gains than they would have done the previous 12 months.

"It will be fair to say that this performance has been realised in the context of an impressive equity markets rally over the period," said Nikolay Nikolov, product manager at Euromoney Derivatives.

Ninety nine percent of all products

Annualised return per product type



Source: StructuredRetailProducts.com

matured delivered a positive performance with annualised returns of between 0.6% and 65%.

The average annualised return of all products maturing in 2021 stood 7.8%, or 2.5% more than the annualised performance we reported for the previous 12-month period. Of the products matured, 34% paid between 6 and 8%.

Overall, 85% of the products matured delivered a performance of ≥ 5%, and only five products delivered a loss to investors upon maturity. Negative maturities ranged from -0.85% pa. and -27.5% pa.

The five products incurring in losses in 2021 were launched in 2015, 2017 and 2018 - these loss-making structures were linked single stock underlyings from the banking and the commercial real estate sector.

The analysis also found that a number of products with positive returns outperformed the average. A breakdown by product type shows that products with some form of participation significantly outperformed the other two sub-groups since April 2021.

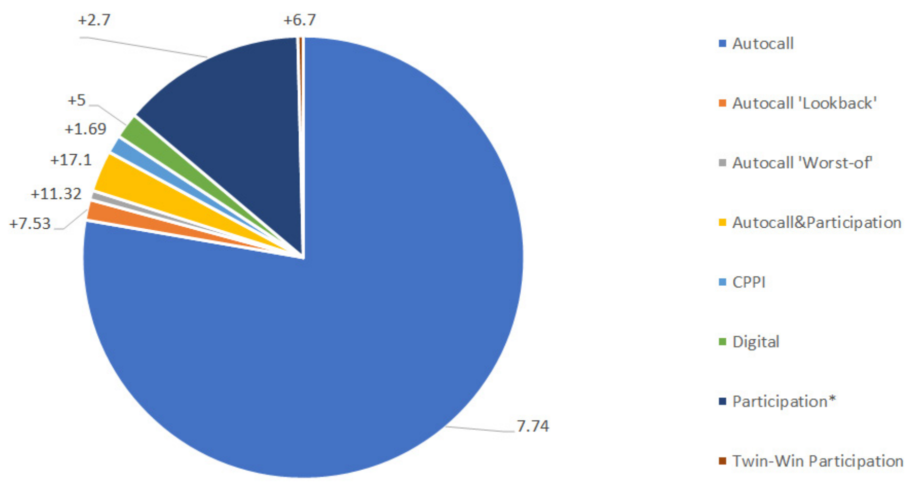
This is because upside calls allowed to fully benefit from the equities market rally. "In the period after the market crash in 2020, there was an increase for in demand bullish structures as investors seeking a higher potential gain were willing to place a bet on markets rebounding," said Nikolov.

Bullish autocalls with full upside exposure triggered their early expiration features when markets rallied paying out high yields, including two-digit returns. These maturities peaked in April, May and throughout the summer, which coincided with the first anniversary of their strike.

Traditional autocallable structures (Athena) represent the vast majority of the structured products market in France and can be seen in the Yield Optimisation group which represents around 80% of the matured volumes.

Yield optimisation products consistently delivered around 8% over the period which is in line with the objective of these structure: to deliver regular and visible return to investors, while ensuring a protection against market dips and any potential exogenous shocks as we witnessed during the market crash.

Payoffs: market share by volumes and average annualised return (%)



Source: StructuredRetailProducts.com

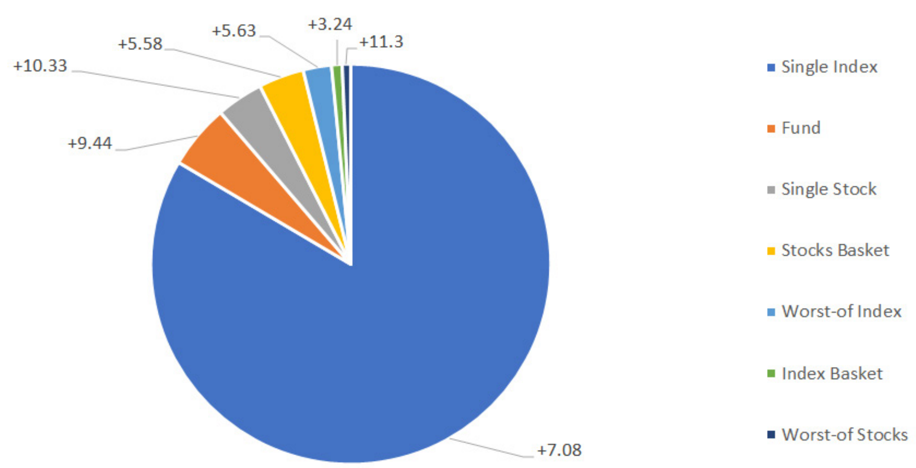
Capital guaranteed products have been extremely scarce over the last five years as the low interest rate environment continued to hinder the ability to provide meaningful upside with full protection.

The majority (3/4) of capital guaranteed products maturing in 2021 were launched in 2013, and before – structure of these products is very different from what we are currently seeing in the market.

On average this group returned an annualised yield of between 0 and 4%. A typical product in the capital guaranteed sub-set would be an eight-year structure linked to the EuroStoxx 50 which participates in the index with averaging throughout the investment term – This explains the underperformance.

This group also includes some Portfolio Insurance products which failed to deliver strong returns as older CPPi structures usually monetise after a market correction and could not participate in the market rebound. However, it is important to note that a number of new CPPi structures on SRP's database don't present monetisation risk and will not suffer from sudden market downturns.

Asset class: market share by volume and average annualised return (%)



Source: StructuredRetailProducts.com

ASSET CLASS, PAYOFFS

Looking at maturities by asset class, the analysis shows that single index-linked structures which represent over 85% of all maturities in 2021 delivered 7% (annualised).

Products linked to single and baskets of stocks paid out the highest average returns - slightly above 10% and 11%, respectively.

Seventy-five of all maturities in 2021 were linked to 12 underlyings (see chart above). The Eurostoxx 50 Index was featured across 40% of all the products matured which delivered an average annualised return of 5.59%

The highest average annualised returns were paid out by products linked to the Solys Euro Evolution I Fund (12.3%), followed by Total Energies (11.35%) and the share of BNP Paribas (10.95%).

By payoff type, the autocallable structure dominated last year's maturities accounting for 83% of all matured products and an annualised return of 8%. Plain autocalls paid an average annualised of return of 7.5%; autocalls on 'Worst-of' stock baskets returned 11.32%; and bullish autocalls returned 17.1%.

Protected participation products largely linked to the Eurostoxx 50, Cac 40 and equally weighted baskets of shares, returned 2.7% annualised.

AUTOCALLS

Autocall structures represented 95% of the products matured in the past 12 months and delivered an average annualised return above 8%, higher than the returns recorded during the previous 12 months.

The analysis shows that 70% of the autocall structures have paid out a coupon above 6%. The average investment period of the early redeemed autocalls was one year and eight months versus the seven and a half year average holding period for products without that feature.

Among the best performers in this category are bullish structures designed to offer the greater between a coupon and the actual performance of the underlyings. Autocallables with full upside exposure capitalised on the market rebound and triggered bonus coupons as long as the underlying increased in value.

The best performer in this category was a life insurance product linked to Euronext Eurozone 40 EW Decrement 5% Index which paid a bonus coupon of 41% when the index increased by 10% from its initial level - the product returned 44% in just one year after the index met this condition in the summer of 2021.

Autocalls linked to stocks at 10% also returned above market average. In 2020, stock-linked products struggled to perform as they breached their knock-in barriers during the market crash. In 2021, however, many of these products paid out double-digit returns.

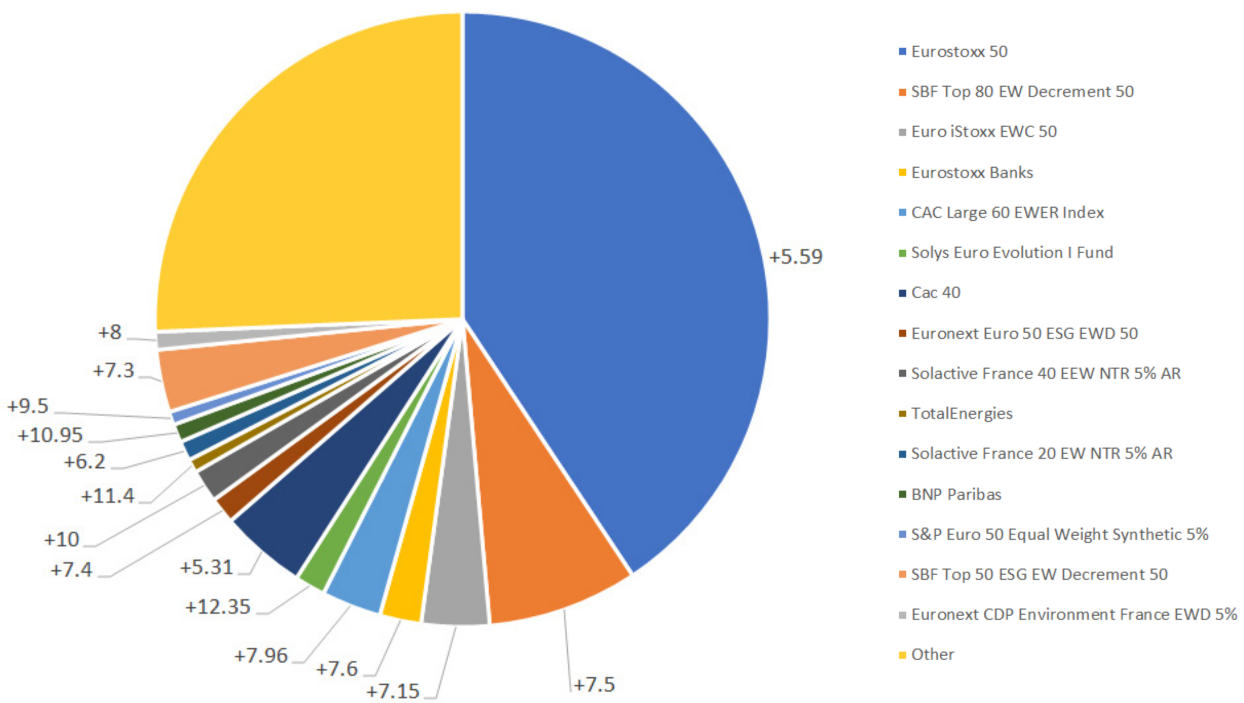
"The successful performance of SP in 2021 was largely supported by the massive wave of autocalling products, especially since March 2021," said Nikolov.

The number of autocall products maturing at the first opportunity increased after March 2021 and the high call rate was sustained in the months after.

From an underlying perspective, we looked at maturing autocall products into five categories including products linked to market cap indices, optimised indices, single shares, worst-off baskets and sector indices.

Worst-off (11.3%) and single stock (10.4%) autocalls delivered the highest average annualised returns but had the lowest call rate at 24% and 35%, respectively. Sector (8.4%) and decrement indices 7.7%) also delivered good returns and had a high call rate at 78% and 77%, respectively. Market cap indices has the longest investment terms and delivered the lowest returns but had one of the highest call rates at 78%.

Most used underlyings: market share by volumes and average annualised return (%)



Source: The Index Standard

FEATURE

Multi-asset indexed annuities take lead, fail to deliver

Mean variance optimisation has become the dominant allocation process for risk control indices used in annuities.

Amid the explosion in popularity of indexed annuity products in the US market, multi-asset index underlyings have surpassed equity/bond indices as the most dominant choice for portfolios, according to data collected from The Index Standard.

However, from a performance perspective, the S&P500 PR Index at 26.9% delivered the best one-year annualised returns in the annuities space with the MSCI EAFE PR Index coming second at 8.8%. Equity risk control indices took the third place with 6.6% annualised returns followed by equity/bond risk control indices (5.9%) and multi-asset risk control (3.8%).

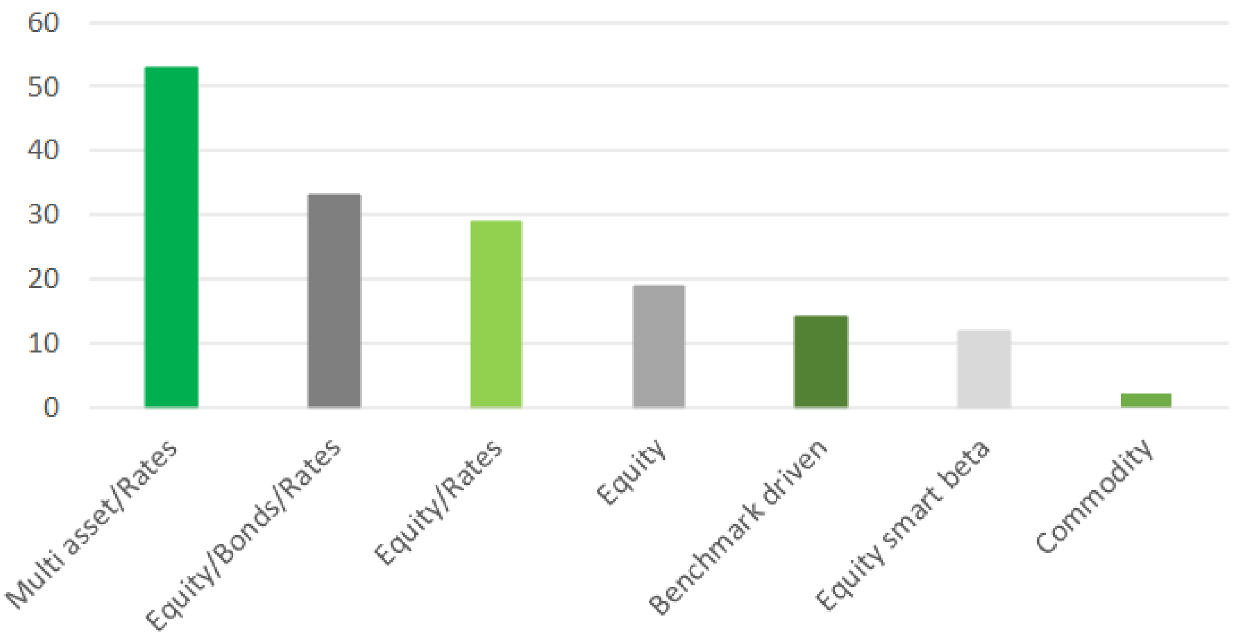
According to SRP data, there are 448 annuity products linked to risk control indices worth an estimated US$1.5 billion.

In 2021, there were 17 new indices launched in the annuity space, compared to 24 in 2020 and 18 in 2019. Of the 162 indices recorded tied in with annuities 53 which fall under the multi-asset category. Equity/bond/rates account for 33 indices, while commodities ranked as the least popular with just two, according to the report.

Top index providers included S&P Dow Jones (30), Barclays (15), Société Générale (10), and nine each for Morgan Stanley and J.P. Morgan. The report also shows that the top users of risk control indices are Athene, Nationwide, Allianz, and Lincoln National.

The most featured target volatility level was five percent, which appeared in 80 underlyings with the 10% level only appearing in six products. Most of the indices had a leverage of between 100%

Number by asset class



Source: The Index Standard

and 150% - there we also 13 indices with a maximum leverage of between 175% and 350%, according to the report.

According to Laurence Black, founder of The Index Standard, the firm has seen a lot of indices with US underlyings in relation to the annuity market up until now.

“In 2021, we saw indexers begin to diversify because the US market was potentially overvalued,” he said. “In order to give clients broader exposure, multi-asset indices became more popular. A lot of banks have gotten very sophisticated in the way that they approach indices in terms of their design, processes and their governance to make sure that indices are well designed and hopefully robust.”

The firm has also identified the mean variance optimisation technique as the current dominant allocation process for risk control indices used in annuities. This method was typically the purview of institutional investors such as asset managers or hedge funds.

“It's really been a real boon for the policyholders that they're getting access to these sophisticated techniques for relatively cost-effective fees,” said Black. “That's been an innovation where you've seen this institutional technique go all the way through to retail and policyholders which in turn, has allowed them to get solid diversification in their portfolios.”

Using mean variance optimisation and a risk control feature can result in a positive performance on a sensibly diverse basket, said Black.

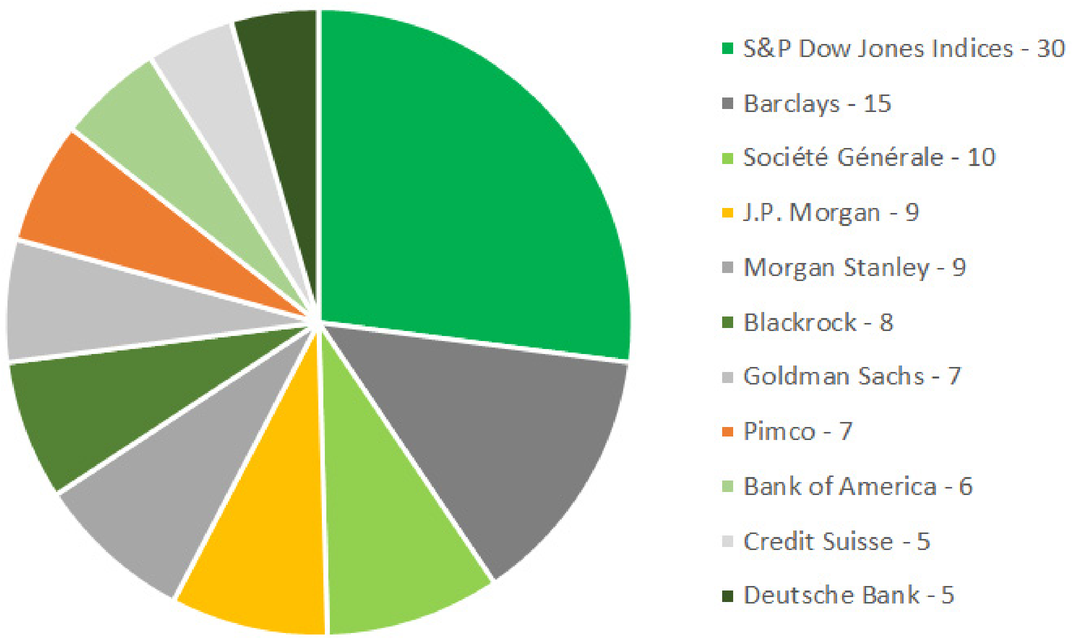
“We've also seen AI techniques that have been used in a couple of indices as well as intraday volatility control. There are other indices that are using advanced techniques to smooth prices, so I think banks and asset managers are leveraging new techniques such as machine learning and advanced optimisation processes to try and design better indices,” he said.

For those expecting a bumpy market ahead the volatility and drawdown ratios showed that the the S&P500 and MSCI EAFE had the higher 10-year volatility ratios at 16.4% and 14.2%, respectively, followed by equity risk control (8.6%), equity/bonds risk control (5.9%) and multi-asset risk control (5.1%).

The maximum three-year drawdown is higher for the MSCI EAFE at -43.3%, followed by the S&P500 stands at -33.9%, equity risk control (-14%), multi-asset risk control (-9%) and equity/bond risk control (-8.6%). Moving forward, Black believes we will probably see cryptocurrencies in an index being used in the annuity space in the next two or three years.

“You're probably going to see that crypto underlying have a type of stabilisation feature around it, whether it's a risk control, and it may just be a very small piece of a commodities basket (with perhaps one or two percent exposure),” he said.

Top index providers



Source: The Index Standard

Arx: We fill the areas where banks are not doing enough

The Swiss brokerage firm specialised in structured products believes that the 'hardcore sales approach does not work anymore'.

Arx Financial Engineering finished 2021 on a positive note after structuring and issuing a US$40 million Credit Linked Note (CLN) linked to the private debt to a company providing goods and services to the oil & gas industry.

Nine months since its launch the Dubai-based firm is on track on its plan to "help growth companies in their capital raising efforts and entering the capital markets space by securitising private debts and listing those on recognised exchanges".

SRP caught up with the company's CEO, Danny Skutelis, to discuss progress on the three core focus business lines and where the growth is coming from.

"Transactions remains private due to their sensitivity, yet it is an important milestone as it was the first transaction in this sector and with a very large working capital raised," says Skutelis.

Over the last few months Arx launched its fixed income trading desk with the addition of Younes El Bejjaji a former Natixis investment banker who has "managed to bring large local accounts and some international accounts as well".

Arx's Ethical Finance Desk which was launched in September with the addition of Dermot O'Reilly, "is also progressing quite well", and is waiting for the Islamic endorsement of the paperwork to start the activity with a focus on Islamic finance, but not only, says Skutelis.

"We're looking at developing an ethical finance business focused on impact investing because there's a lot of demand and is only going to increase from what we see.

"Our structured solutions business remains our flagship and is helping us to increase the book of business and establish ourselves in emerging markets."

What themes, product ideas are coming up in conversations with clients and prospects?

We just came back from a trip to the US, Panama, and Colombia, and every country is working on ESG, they are putting stricter guidelines to align themselves with the UN SDG 2030 Agenda.

We are now dealing with a company called Tigress, which is majority women and disabled women owned. Another company that we are dealing with is Muriel Siebert in the US who was the first woman CEO of a publicly traded company.

Asset managers in Colombia are considering projects now to support real estate development because banks are kind of shying away and there are people willing to step in and do things differently, in a fully ESG compliant manner - more environmentally friendly, more sustainable, using solar power etc.

Ethical finance is a strategic business for us and there is cross-over with some of things we are doing. We are working on Sharia compliant AMCs and doing Sharia compliant products, but we are now looking into doing ethical AMCs with some of our clients.

How would you describe the competitive landscape in your patch of the market?

Some players in the market seem to be stagnating and doing more of the same, with the same approach. There are others (like Marex) are trying to be a bit more innovative with the products they offer to institutional investors. We want to take a similar route and leverage our technology not to offer a factory approach or products off-the-shelf but to build up relationships and deliver a good service.

In the institutional space, the hardcore sales approach does not work anymore. People want to spend time and see innovative ideas and financial solutions. We can offer them that with structured solutions. Our bread and butter is the flow structured products business, which is very simple, and our pricing platform, which was initially developed by CAT has been improved with several tools and functionalities like automated forward testing, factsheets, etc.

What would you highlight from the two most recent trades?

The core value of what we offer is understanding the client's need and deliver to that need. We have managed to land some large mandates because, frankly, the banks are lacking that approach and that makes us an appealing partner for many investors.

These companies had a seed investor and we knew we could cover the cost with a very simple structure issued through our SPV. Then we placed it with our other clients. That transaction was picked up by another investor who led us to Bedford Row Capital in the UK which introduced us to Deshbandhu Group.

That is how the Sukuk came about. Bedfordrow Capital which offers structured debt used its SPV and an external Sharia advisor to put the product together - a US$250 million Sukuk for Bangladesh, one of the fastest growing economies in Asia and South Pacific. We are leveraging our local and emerging market presence to do the book building.

We think we can fill the gap in those areas where banks are not doing enough. Panama and Colombia are big markets for AMCs, and there are huge opportunities. In Europe, AMCs are not as popular and people are not as familiar, but in some emerging markets these are the products resonating with investors.

Is the fund wrapper falling out of favour to deliver opportunistic access to investment ideas?

AMCs are relatively fast to bring to market and a cost-efficient way to start your own strategy or fund alternative. You cannot start a fund with US$5 million. One of our sister companies did one recently and the cost of setting it up was around US$250,000, then you want a good prime broker and if you want a good custodian too and a good auditor, etc. that is going to cost you money - the setup and the ongoing costs make the AMC the perfect alternative - you can be up and running in three weeks.

The number two consideration is that in the emerging markets investors do not want to hold assets in the country. You can have an asset manager in Panama managing $2 billion with a lot of expertise and knowledge on private equity, private debt or private placements or just direct bonds or structured products but nobody wants to give them money physically into their custody so with an AMC they overcome that problem they can have Julius Baer or Credit Suisse, as a custodian and earn their fees by running the strategy underlying the AMC. You cannot get this with a fund unless it is a mutual fund or a Ucits fund.

What is the appeal for banks to deal with AMCs?

AMCs also work for custodians because if the bank is also a custodian of client's private portfolio assets when the client subscribes into the AMC, the bank basically doubles its assets because now they don't just retain the assets of the client, they also retain the assets of the SPV of the actively managed certificate. Suddenly US$1 million becomes US$2 million.

Another attribute of AMCs is that if the bank is comfortable with the assets that are held within the AMC you can also obtain the LTV on the private portfolio side so suddenly clients can actually do a cash release mechanism etc. So, it's actually a win-win product for quite for quite a lot of parties. That is how we are positioning our AMCs and how we choose the custodians.

We feel that the AMC wrapper has a huge momentum and frankly, I do not think discretionary managed funds offering an outperformance of 0.3% or 0.5% are very competitive. We're not saying that every AMC is fantastic or the asset manager behind is a maverick - we're not selling the asset manager but a service for them which includes the setup for the AMC distribution, market making and even the execution within the AMC, if it's linked towards a fixed income or structured products.

Which assets are you seeking to bring to your clients via structured products and AMCs?

Some people are still looking at near default bonds because they think there is potential for yield but when you show them a structured product on Tesla or on bitcoin, their eyes light up. These asset managers understand the risks and are looking for this kind of products for their clients. We can price structures in front of them, and the yields of around 20% you can get with some structured products you cannot get elsewhere.

Crytptos are the same and the AMC route is proving to be ideal for some of the asset managers we have met. They didn't think that this was possible, and they cannot open an account with Coinbase or Kraken to trade directly for their clients, and not have the custody.

We are helping them to set up an AMC they can link to Crypto Broker in Switzerland, which is FINRA regulated. They can then access the Crypto Broker online platform, and trade on one platform. They do not need to be positioned across multiple different exchanges. Crypto Broker has a cold storage facility in the Swiss Alps, and in World War 2 bunker which are only disclosed to trustees of the bank as part of their contingency plan.

There is a pipeline of people wanting to access investments that way.

Arx Financial Engineering announced the release on 21 January of Warhunt, a movie it has co-produced as part of its financing activities through a securitised vehicle to issue transferable securities enabling access 'unique investment opportunities via a traditional instrument'.

FEATURE | Q&A

Listed products: more retail investors want a risk-mitigated edge

The year 2021 was a breakout year for Leverage Shares, the UK-based sponsor of physically backed exchange-traded products (ETPs).

Leverage Shares expanded the team, listed over 100 new ETPs and increased its AUM over 7x to US$250 million last year. The ETP provider also introduced the first leveraged sector and thematic ETPs in Europe covering financials, oil & gas, airlines, clean energy and more - all available in long (3x) and short (-3x) versions.

In December the firm's 3x Tesla product was the single most traded ETP among ETFs, ETCs and ETNs; turnover has been increasing month-over-month for five months, and its AUM has grown from US$30 million to more than US$250 million at the beginning of the year.

"In 2022, we have already added more leverage single stocks and also delta one trackers targeted at those seeking fractional exposure to high priced stocks," said Oktay Kavrak ETP product strategist at Leverage Shares. "We have now a mix of all different types of products looking at filling niches that were missing in the EU."

What is Leverage Shares bringing to the European market, and how do you see your offering evolving?

Oktay Kavrak: In the US you have big issuers that have been doing sector based leveraged ETFs and broad market ETFs for many years. That whole space is much more concentrated and much more developed. We just saw there's room for improvement on this side of the pond and decided to attack this niche.

As our single stock products started to resonate in the market, we're getting more demand for certain types of products, people are coming to us with ideas for other single stocks. At this point, however, we feel that we've covered probably the biggest universe of the big names so it would be a marginal benefit to add many more. We believe there is more value in other asset classes as well.

These are just tools that people can use in different ways as we enter the year with concerns and speculation about rising rates and what that means for these really high priced tech stocks that everyone has been flooding into over the last year. This year it could be a realisation for many retail investors that are going to see that these things don't go up forever.

Some investors tend to think that leverage is just a way to amplify gains. Is there awareness about the role these products can play in hedging portfolios? Are seeking to increase the leverage factor of your products?

Oktay Kavrak: We're seeing huge corrections on many stocks – Roku, Palantir, Zoom - which is absolutely crushing portfolios out there. Our products give investors an opportunity to hedge some of their exposures or be more aggressive if that fits with their portfolio approach. We just see our product suite as a marketplace to hedge or leverage exposure if you're really bullish. For those looking to just buy and hold long term, we have introduced the Delta ones.

We have some 5x products, but our current focus is on 3x. We're not counting out any single asset class, and we have a pipeline that covers even more of them moving forward. For the next batch, we might consider either commodities or fixed income where we think there is a gap. Those are products that European investors can't access because of local regulation. It's about removing that headache for European investors.

Customisation is happening across markets as providers and investors move from the one-size-fits all. How do your products fit within this trend?

Oktay Kavrak: The market is changing and people want solutions to their needs not just products from the shelf. We are looking and responding to what people are looking to trade. The ARK ETPs are a good example of our approach. European investors were looking for exposure for a long time but had to go through all these hoops to get access. So, they were either trading them as CfDs, which a lot of times meant they had to trade them with leverage, or selling options and getting assigned the underlying ETF. Our goal is to supply investors with the toolset that that they need to manage their portfolio in whatever way they want. If they want it to be risky, okay, if they want it to be risk off, that's also fine. But the end goal is to have the entire toolset where you sort of pick and choose whenever you want whatever product you want to hold in for whatever specific period.

Our products are complex products, but there is an increasing number of retail investors seeking a risk-mitigated edge. We want to expand our product base, and want to explore products that would be more appealing to bigger institutional investors and not just primarily the smaller ones like private banks and high net worth managers.

What are your plans in terms of market reach? Are you planning to expand to other jurisdictions?

Oktay Kavrak: We have now listed products on the London Stock Exchange, as well as on Euronext Amsterdam and Paris. We are planning to do more cross listings, and we're looking at other markets in continental Europe. We want to combine bringing new products to market and with cross-listing existing ones. We want to facilitate traders from different countries to access the products without having to go through a local broker or bank because this is quite expensive.

Traditionally, Asia has been one of the go-to places for leverage products because that's where most of the trading these products goes on outside of the US. Asia leverage products market is twice the size of Europe in terms of outstanding - Japan alone is the size of Europe in terms of these types of products. We may look at opportunities but for now, we just want to get a good foothold in the European market before we expand beyond.

What asset and sectors will benefit from market volatility this year?

Oktay Kavrak: Our products are slightly market dependent and because they are linked to some of those speculative tech names, they will see outflows when the market takes a tumble.

I think this year's going to be the first time where this performance gap between value stocks and growth stocks is going to shrink. I think value stocks might not necessarily outperform growth names, but it's going to be quite close.

At some point, people are going to give up and accept some of their losses on these overpriced tech names specially those who bought late, close to peak. As people rotate into other sectors, we think rates are going to be on the books because of the upcoming hikes. As rates go up, we know a few things are going to happen - the dollar will get stronger, energy stocks will probably do well, and banks will deliver value as well.

What would you say is Leverage Shares' edge in the market?

Oktay Kavrak: We have a very flexible way of working and bringing up new product ideas. We can go from idea generation to actual listing within six to seven weeks. There are always several considerations like the liquidity of the underlying, the structure – is it something we can buy, is there an existing ETF that can directly underlie it, are there any other hurdles that we have to go through like buying a futures contract and deal with rolling overs etc. This speed to market also allows us to react quickly to ideas fed from clients and be opportunistic.

There are a lot of possibilities. There is scope for many different products like monthly leverage products or quarterly leverage because this approach can make the products more predictable because the daily deviations of these products mean that after one month, the underlying could go up, and the 3x leverage can go the other way.

Defined outcome products are also interesting. They are more of a niche for now because they are quite hard for retail - you need a good education base to be able to use these products. Investors need to understand the buffers and the caps and other aspects as you would not want to put the wrong products in the wrong hands.

How would you describe the competitive landscape in the ETP market?

Oktay Kavrak: There are several competitors in the leverage and single stock space like Graniteshares and bigger names in the same market as WisdomTree. We have a positive outlook for Leverage Shares and for the market. There are areas where we can grow and bring value to investors.

The ETF/ETP industry broke another record with about one trillion inflows. People are becoming more and more comfortable with these types of products because trading is easier than ever before. Nobody has a Bloomberg terminal at home with four screens anymore. ETPs are very easy to buy and to bring to market compared to mutual funds. We think the market is going to keep growing and inflows going up. It's probably going to be more diversified in terms of more creative products coming to market, and not just broad market trackers.

Luma gains traction in Europe

The Ohio-headquartered financial technology firm has raised tens of millions of dollars in new equity.

> “We have taken the European concept and innovation into the wider US market

Luma Financial Technologies continues to grow at a fast pace, and has sold more than US$30m to four undisclosed ‘accredited investors’ as part of a planned US$75m raise, according to a recent Securities and Exchange Commission Form D filing on 20 December 2021. SRP spoke to David Wood (pictured), the company’s managing director in charge of international business, about the multi-issuer platform’s business development and client services in Europe 12 months after his appointment.

Luma Technologies in Europe officially launched in Europe on 4 January. Since then, the US platform has opened an office in Zurich and hired a team which includes people in Paris, London and Dubai to support its European and international expansion - this adds to the team covering Latin America led by Fernando Concha Bambach who joined Luma in Q3 2020.

“We have built out a business development team as well as a client service and support team, and we have started to put some technology resources in Europe as well,” said Wood. “We've effectively been adapting and enabling the platform for the European market.”

This includes all the features and requirements of the European market such as regulatory support – the Priips KID, target market under Mifid 2, and other regulatory requirements needed to be able to capture those processes, but also adaptations around naming conventions and other aspects that are different to the US market.

Another focus of Wood’s team has been the onboarding of issuers and connecting to issuer APIs for automated pricing.

“This is a relatively new phenomenon in the US but very common in Europe,” said Wood. “This has allowed us to connect issuers to issuers API's in Europe, but also enabled and help them go to the US market.

“We have taken the European concept and innovation into the wider US market. The platform is sort of flattening the benefits which are flowing both ways as part of the international expansion.”

The US platform added in October 2021 a white labelling service on the back of demand from European clients allowing distributors to brand the platform with their own logo, which has also resonated with US clients as well.

“The white label service is important because a lot of the platform’s clients and distributors in Europe have advisors and rather than focusing on the structuring desks and the central desks within a private bank or distributor this service is aimed at advisors and relationship managers working with private banks," said Wood.

MARKET EDGE

The US firm is capitalising on its technology DNA to open opportunities and onboard new clients involved in the structured products market.

"Running technology is expensive, and you've got to continually invest," said Wood. "That's a significant undertaking for small banks but also for big brokers and tier 1 banks.

"Our objective is to be able to provide them with a platform and the technology to enable them to focus on what they do best, their core business of creating and distributing products and supporting their asset manager clients."

Luma has brokers and clients who use the platform in direct competition with other platforms such as broker-led structured products platforms like Lynceus or Privatam.

These brokers can now whitelabel their own platform and tailor it with their own product range which can then be rolled out to their client advisors or their asset manager clients.

"Luma can be quite flexible and adapt to the needs of different types of distributors," said Wood. "Some asset managers may have a relationship with a broker, and they do all of their business with them. It often gets quite complicated where you have an asset an asset manager, or even a bank, that has direct relationships with issuers and other relationships where they have to go via broker or an intermediary."

This is one of the platform's strengths - a small bank with direct relationships with large investment banks for example, can trade directly with them, and then go via a broker to access other issuers.

"The platform can actually route their flow via another Luma enabled broker if they need it," said Wood.

GROWING THE PIE

Luma reported US$34 billion volume transacted on the platform in 2021, an increase of 36% compared to the US$25 billion transacted on the platform in 2020.

"It's early days in Europe as clients take some time to set up, enable and onboard, but the platform is well placed to capitalise on its 'very simple and transparent' fee structure," said Wood.

All issuers quoting prices on the platform have a standard agreement.

"We charge a very small basis point fee on the notional sold. Everybody can see the fees and pays the same which is a really important factor to make sure you've got a kind of a fair market," said Wood.

The platform is also attracting some issuers seeking to expand their reach into different regions and grow their network as well. Marex Solutions is a good example – the London-based non-banking issuer of structured products joined the platform at the end of 2021 to expand its reach and capitalise on Luma's distribution network.

"They have a growing business in Latin America, and they can offer now their product range, alongside other issuers in the platform to private banks and asset managers in the region," said Wood, adding, "an important aspect of the platform is that is driven by relationships between distributors and issuers".

"It isn't an open free for all market. Issuers have specific types of business that they do and do not want to do, and we may have clients that are not in their target list, and therefore they will never see them and vice versa. Just because an issuer is on the platform, if a client does not want to access them, there's no obligation to do that."

The platform has also onboarded other issuers in Switzerland such as Finanzlab and Dynamic Capital Group that have typically a very specific focus in terms of their coverage and they don't do international distribution.

"In this case, it's our Swiss client base what is important and a target for them," said Wood.

"

Running technology is expensive, and you've got to continually invest

Valour: crypto structured products fit into the portfolio construction approach

The new chief executive of the Swiss firm, a veteran of the ETP industry, talks about shifting from an exchange to crypto structured products provider.

Tommy Fransson, the former deputy CEO at the Nordic Growth Market (NGM) and head of the Nordic Derivatives Exchange is the latest example of executives from the industry transitioning to the digital space.

He left the exchange at the end of 2021 to join Swiss-based crypto exchange-traded products provider Valour Structured Products after almost 15 years of service. He replaced Diana Biggs, who moved to DeFi Technologies, Valour's parent company, to take on the role of chief strategy officer.

SRP caught up with Fransson to reflect on his time at the helm of a key player to develop the structured products market in the Nordic region since he joined NGM in 2008.

Over the last decade the Nordics market has seen an increase in volumes and a growing competitive landscape with many issuers offering their products in an open environment.

"The market model, collaboration between issuer and broker, has been really successful and consolidated volumes for the big online brokers - Nordnet and Avanza," says Fransson. "We still see that - the dominant issuers are the ones working closely with market models with a dominant order flow provider.

"There are other issuers active in the market, but most of the volumes in the traditional ETP market are allocated within the market model. That approach seems to be stable and has consolidated most of the volumes in the traditional ETP market."

Nordic and especially Swedish investors using ETPs are mostly self-directed. This has made a difference in the speed of growth in the retail market because Nordic investors adapt quickly.

"There's room for further developments, different product types and underlyings as well as new players," says Fransson.

The subscription products market continues to be dominated by arrangers or intermediaries which is an area where traditional banks have less weight than other players such as Garantum and Strivo which have established themselves in the market with a strong offering, and have a 45% and 36% market share, respectively.

Overall, there's room for new players and products as the self-directed end client community continues to grow in the region.

"The volumes on exchanges have grown and counterparties in the transaction-based business have seen their volumes increasing significantly," says Fransson. "Even though volumes have somehow stagnated they are still at a very high level which suggests this is a mature market.

"We have not seen the rapid growth we saw at the beginning of the last decade, but the growth is ongoing and sustained."

Giving a hint of the reasons behind his decision to join Valour, Fransson points at the opportunities from a product innovation in the Nordics.

"There are a number of new players offering new type of products and services which will resonate with investors," he says. “I left NGM with the satisfaction of having been involved on the development of the Nordics structured products market for many years.”

MANDATE

Having worked with Valour as a client for the last year or so it became an obvious choice for Fransson as he believes the digital asset management market is really the future.

The company has built the foundations to expand and scale up.

“I share the vision of Valour in the need to enabling access to new protocols and digital assets through the traditional infrastructure,” says Fransson. “[We have] a strong foundation and the right support behind (DeFi Technologies) as well as an extremely competent team.”

Valour is a Swiss company acquired by Canadian listed group DeFi Technologies.

“This set up is also very important because a listed company must meet certain governance and regulatory requirements,” says Fransson. “The fact that DeFi Technologies invested in Valour is proof that there is a business case. Having a listed company providing us with their full support and mandate to develop and execute a plan is a bonus.”

Valour has been operating for a year and has during this time brought to market several products which have an AUM of over €300m and a monthly turnover on exchanges of over €200m.

“My mandate is to grow the business, expand our offering and coverage of the digital assets market and list more products, but also to enter new venues, develop our brand and footprint and look for new opportunities in this market,” says Fransson. “Our focus will be on developing our ETP offering - structured products remain at the center of our strategy.”

CRYPTOS

The listing of Valour’s crypto ETPs have enabled the Nordic community to access the digital market in a way that suits investors as it is done in a secure and transparent environment.

“There's a huge demand from the Nordic market to allocate to crypto assets and Swedish people have shown a huge interest for the crypto market, but we see increasing demand for this asset class as in other European structured products markets,” says Fransson. “This is a nascent market, but the on-exchange trading suggests this is an area of growth. We have seen increased demand over the last couple of years – investors want to participate in the digital assets growth story.”

EDUCATION, TRANSPARENCY

From a product development perspective, there is scope to offer investors more possibilities in the crypto space which still has a very limited product offering compared to other assets but this needs to be accompanied with education.

“Product providers have a responsibility to contribute with education about the crypto market,” says Fransson. “We have seen the benefits of education in the Nordics and we will have a strong focus on education going forward.”

The ETP route remains the most suitable for this kind of asset because it enables investors to access this market in a regulated venue with price transparency and so on.

“The flexibility to get in and out is an advantage compared to OTC traded products which have no liquidity or secondary market,” says Fransson. “Providing access in a transparent way is a strong attribute of ETPs.

“Investors are looking for opportunities and the exchange set up is a good solution to promote these products – once institutional investors adopt these products widely; they will become mainstream.”

EVOLVING MARKET

The market has moved on from investing directly on individual crypto currencies and the development of a derivatives ecosystem is also helping to bring new products to market. As the market evolves, investors demand new products which in turn forces product providers to develop new ideas.

“We see scope to develop baskets and indices to create exposure to the wider market, and maybe make it more interesting and attractive for institutional investors,” says Fransson, adding that digital assets will eventually be part of every investment portfolio.

“From a portfolio construction perspective there will be opportunities to deploy these assets via different payoff structures and wrappers. The market is adapting to this new asset class and there will be a transition before the traditional industry accepts it.”

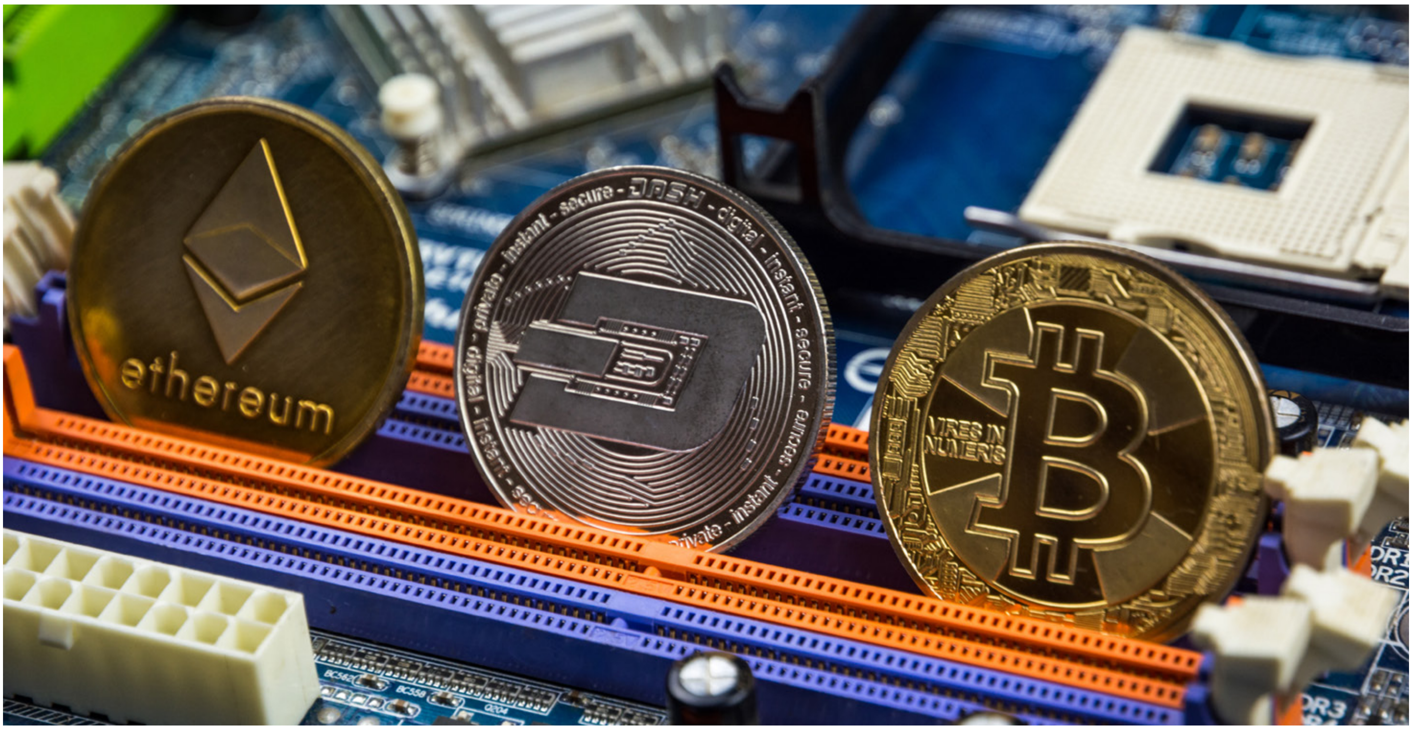
Once this asset class becomes mainstream it will go in the same direction as the traditional securities market.

“It will be a natural evolution as the market grows and investors adopt the new asset class product providers will have to deliver different solutions to meet investors’ needs,” he concludes. “Product development in the digital space is in its early stages. We think there will be significant activity in product development in 2022 and we want to be at the forefront of these developments.”

SRP data shows that over €1.7 billion in structured products was sold in the Nordics in 2021 – Sweden, Finland and Norway have a combined outstanding volume of €10.1 billion linked to structured products.

Crypto: FOMO turns to OMG for crypto traders

Most digital asset markets were outperformed by traditional assets in December following a market-wide decline, but market activity remains high.



According to the latest CryptoCompare Asset Report, ETH's price retreated the most (-20.6% to $3,676), reflecting the wider financial uncertainty associated with Omicron and its effect on inflation. The returns of the top five crypto assets over the last week were as follows - BTC (-10.01%), ETH (-18.11%), BNB (-17.13%), SOL (-19.07%), and ADA (-14.39%).

Despite the recent market movements, the top cryptocurrencies by market capitalisation saw strong returns in 2021, all returning over 50%. This is above competing, traditional assets such as gold, which had negative returns of 3.8% in 2021. Similarly, traditional stock indices such as the S&P500 and Nasdaq 100 returned just 26.9% and 21.4.7% in 2021.

However, with higher returns comes significantly higher volatility – in December, the investigated crypto assets had volatilities between 65.3% (BTC) and 112% (ADA), compared to just 20.6% and 28.8% for the two market cap indices.

Julius Baer-backed crypto bank fuelled with CHF110m investment

SEBA Bank, a FINMA licensed digital assets banking platform, has secured a successful Series C funding round, raising CHF110m (US$119.4m).

The round was co-led by a consortium of specialised blockchain and fintech investors, comprised of Altive, Ordway Selections and Summer Capital, as well as DeFi Technologies, a NEO listed leader in decentralised finance which cloed a CHF25m investment in the Swiss digital assets bank. Alameda Research, a global cryptocurrency quantitative trading firm and liquidity provider, as well as core partner of FTX, also participated in the round.

The round was significantly oversubscribed: existing investors, including Julius Baer, increased their positions in the funding round.

SEBA Bank is currently supporting over 25 markets globally. The company appointed an Apac CEO earlier this year to solidify its presence in Hong Kong and Singapore; and has also opened a dedicated office in Abu Dhabi.

SEBA Bank rolled out a cross asset platform for crypto actively managed certificates (AMCs) in early December 2021.

SEBA Bank was launched as a fully licensed Swiss digital bank in 2019 to offer a range of services in the areas of asset management, trading, custody and financing. The bank has brought to market several indices and structured certificates including certificate linked to the SEBA Crypto Asset Select Index and the first dual currency certificate on BTC/USD that sells put options on BTC/USD.

Leonteq releases Polygon play

Leonteq has launched three open end trackers linked to Polygon a platform for Ethereum scaling and infrastructure development backed by Binance and Coinbase.

Polygon aims to provide faster and cheaper transactions on Ethereum using Layer 2 sidechains, which are blockchains that run alongside the Ethereum main chain with pretty much the same functionality such as smart contract support. Users can deposit Ether to a Polygon smart contract, interact with them within Polygon, and then later withdraw them back to the Ethereum blockchain.

'Polygon transforms Ethereum into a full-fledged multi-chain system akin to other networks such as Polkadot, Cosmos or Avalanche while benefiting from Ethereum's security, ecosystem and openness,' according to Leonteq.

The new tracker is available for trading on the SIX Swiss Exchange in CHF, euro and US dollar and have an administration fee of 1.50% pa.

Leonteq now offers tracker certificates and other structures on 25 digital assets.

21Shares lists Terra ETP in Switzerland

Crypto exchange traded product (ETP) provider 21Shares has announced the launch of its first product in 2022 – a new ETP tracking the value of Terra.

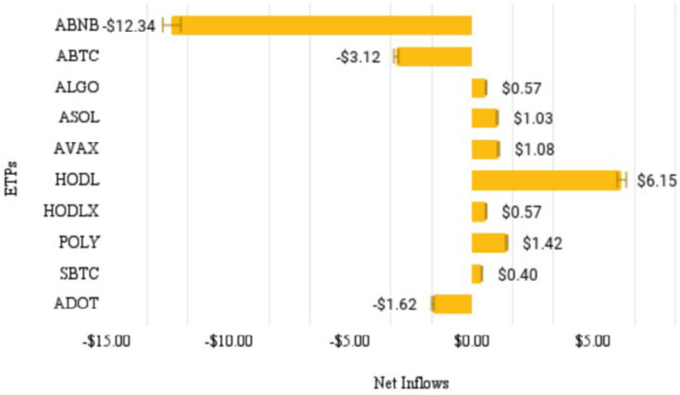
Terra is a public blockchain protocol deploying a suite of algorithmic decentralised stablecoins which underpins an ecosystem that brings DeFi to the masses.

Terraform Labs developed the Terra network in 2018 by Daniel Shin and Do Kwon who now acts as the company's CEO and is a former Microsoft and Apple software engineer. Terra is funded by Binance, Arrington XRP, Polychain Capital, and Huobi Capital, to name a few.

Luna, the native token of the Terra blockchain, has risen almost 8,000% over the last year. As of January 2022, Terra is the second largest ecosystem in crypto with $18.81 billion in total value locked (TVL).

The launch comes as the Swiss firm reported net outflows of -US$6.69m on its range of ETPs in the past week. As of January 2022, 21Shares manages more than US$2+ billion in 22 cryptocurrency ETPs and 83 listings.

Net Inflows of 21shares ETPs (in millions $)



Source: 21Shares

Algorand, FTX and Terra ETNs launched

US-based asset management company VanEck has launched three crypto exchange-traded notes (ETNs) tracking native tokens of the Algorand blockchain, Bahamian-based cryptocurrency exchange platform, FTX and blockchain protocol, Terra respectively.

The VanEck Algorand (VALG), VanEck FTX ETN (VFTX) and VanEck Terra ETN (VLUN) are listed on Boerse Stuttgart.

The ETNs will track the performance of their underlying tokens from indexes created by America-based MicroVision (MVIS) company, a subsidiary of VanEck that develops indices and offers information on these assets such as their prices.

While there are already similar products on the market tracking Terra (LUNA) and Algorand (ALGO), from 21Shares, the VanEck FTX (VFTX) is the world's first tracker offering exposure to the FTX token.

Isda calls for contractual standards for crypto derivatives

As institutions have largely traded digital asset derivatives using amended versions of existing ISDA definitions and templates, or using their own bespoke documentation, there's a lack of standard derivatives documentation, said Isda CEO Scott O'Malia (right) in a newsletter on 18 January.

'Working on contractual standards and documentation templates for digital asset derivatives is a priority for ISDA this year,' he said.

The key features to be considered include forks, where a blockchain is upgraded or modified, which can change the nature of the blockchain or lead to the disruption events like the creation of two distinct crypto assets.

'We'll start by developing standard terms for products that are already traded in the market today, such as cash-settled forwards and options referencing Bitcoin and Ether,' said O'Malia. 'We will then consider how we might add value for other types of products, including those traded on decentralized and hybrid trading venues.'

HK crypto platform rolls out dual cryptocurrency products

Q9 Capital, a Hong Kong-based crypto investment platform launched a year ago, today (19 January) rolled out Yield, a new product allowing investors to enter the crypto market within their preferred parameters in exchange for a premium.

Often known as dual currency investments (DCIs), they provide customisable contracts where investors decide their preferred strike price, yield and maturity period at inception.

Investors can know their yield upfront with a pre-determined premium, and depending on whether the market price is above or below your strike price at maturity, they receive their proceeds in Bitcoin (BTC) or USD Coin (USDC). The return is expected to range from 40% to 200% APR and can be rolled at maturity.

The addition of DCIs complements Q9's offerings, which includes Spot and Leveraged Trading, Custody and Earn, said the platform.

The DCIs are available to international investors with no minimum commitment for account opening. For Hong Kong residents, these products are available for accredited investors.

Invesco lists bitcoin ETP on Six Exchange

Invesco Digital Markets has entered the Swiss digital assets market as a new issuer of crypto ETPs. With the Bitcoin ETP listed by Invesco, there are now a total of 225 ETPs and structured products with cryptocurrencies as underlyings offered for trading at Six Swiss Exchange.

'Trading in passive products with cryptocurrency underlyings is enjoying growing popularity among institutional and private investors,' Christian Reuss, head Six Swiss Exchange. 'Structured products and ETPs offer a convenient and well established investment process to do so.'

Invesco is an ETF issuer at Six Swiss Exchange since 2004, currently offering 96 ETFs and ranks among the top five ETF issuers on the exchange in terms of trading turnover in 2021. Since 2010, Invesco further acts as an ETP issuer on Six Swiss Exchange with three listings. The ETF issuer has become the ninth crypto ETP issuer at Six Swiss Exchange which offer 108 crypto ETPs.

"Trading in passive products with cryptocurrency underlyings is enjoying growing popularity among institutional and private investors

2021 was a record-breaking year for products with cryptocurrencies as underlyings on Six Swiss Exchange. Trading turnover in these products passed the 8-billion mark for the first time and reached CHF8.6 billion (US$9.3 billion), which is more than seven times (+673%) the previous year's figure (CHF1.1 bn). The number of transactions saw a seven-fold growth compared to2021 - in total, 354,542 trades were carried out in crypto products, an increase of 634% compared to 2020 (48,300).

Five out of the top 10 crypto products by trading turnover 2021 are on bitcoin, according to the exchange.

BitMEX buys German bank to create crypto powerhouse

Peer-to-peer crypto trading platform BitMEX has acquired German bank Bankhaus von der Heydt, one of the oldest financial institutions in the country, to creating a one-stop shop for regulated crypto products in Germany, Austria and Switzerland.

The deal is subject to approval by BaFin, the German financial services regulatory authority, and is expected to be complete in mid-2022. The purchase price or other financial details of the transaction have not been disclosed.

Once the purchase is finalised, the bank will continue to be operated as a standalone business unit, with BitMEX chairman Alexander Höptner and CFO Stephan Lutz, joining the bank's supervisory board.

The announcement follows the launch of BitMEX Link in Europe, a brokerage service based in Switzerland that facilitates trading in digital assets.

"Germany, as the largest economy in Europe, combines an innovative approach to digital assets with strong regulatory oversight and rule of law – making it a prime market for BitMEX's expansion in Europe," Lutz said.

The German bank already offers a range of digital assets banking services via blockchain technology as well as solutions for tokenisation. The acquisition of Bankhaus von der Heydt is now the next step in the Group's European expansion and product development.

The crypto exchange has appointed several executives as part of an ongoing reshuffle amid the revamped mission of the cryptocurrency specialist, which includes several new business lines.

The firm's upcoming business segments as part of its 'beyond derivatives' strategy include spot, brokerage, custody, information products, and the BitMEX Academy. To that effect, BitMEX appointed Rupertus Rothenhaeuser as its chief commercial officer (CCO).

Ivo Sauter was appointed last week to lead Switzerland-based BitMEX Link and its spot, structured products, and OTC trading offering.

Global crypto ETF & ETPs reach US$20 billion AuM

A record US$20.23 billion was invested in crypto ETFs and ETPs listed globally at the end of November 2021, according to a report published by ETFGI, a UK research and consultancy firm. The products gathered net inflows of US$1.11 billion during November, bringing year-to-date net inflows to US$9.26 billion, which is much higher than the US$278 million gathered a year ago. That was also the fourth consecutive months of net inflow.

In addition, the assets invested in crypto ETFs and ETPs increased 3.7% to US$20.23 billion at the end of November compared with a month ago, according to the monthly report. Year-on-year (YoY), that represented a 549% growth.

Since the launch of the first crypto ETP - the Bitcoin Tracker One-SEK - in 2015, the number and diversity of products have increased steadily. At the end of November there were 80 crypto ETFs/ETPs with 224 listings assets of US$20.23 billion, from 21 providers listed on 16 exchanges in 13 countries. During November, 10 new crypto ETFs/ETPs went live.

'Substantial inflows can be attributed to the top 20 ETFs/ETPs by net new assets, which collectively gathered US$908m during November,' stated the report, adding that ProShares Bitcoin Strategy ETF (BITO US) collected US$352m - the largest individual net inflow in the month.

Russia's Sberbank markets first blockchain ETF

Sber Asset Management has launched Sber – Blockchain Economics, Russia's first ETF positioning investors to earn on blockchain economics without the challenges associated with the development, purchase, storage and selling of digital assets, according to the firm. The list of issuers includes Coinbase, Diginex and Galaxy Digital.

The new ETF follows the Sber Blockchain Economics Index developed by Sber Corporate & Investment Business (CIB). It includes securities of companies whose core operations are related to distributed ledger technology (DLT).

The index includes companies producing hardware and software for crypto mining, crypto asset creation as well as companies providing blockchain consulting services.

'Direct investment in crypto assets is associated with high risks. Evaluating them on your own is hard, so instead of investing in crypto assets, we suggest you invest in companies that ensure the development of blockchain,' said Evgeny Zaitsev, CEO of Sber Asset Management.

UK index choices in structured products

An analysis of the use of domestic indices in the UK market.
By Tim Mortimer

The UK structured product market has been staunchly loyal to the FTSE 100 as its most common underlying for many years. Many markets around the world also stick to benchmark indices recognisable to their investors. In the US market, the S&P 500 is the most popular index but the Russell 2000 and Nasdaq 100 have significant usage to represent mid-caps and tech stocks respectively. In Europe, markets used to divide along country lines with the DAX in Germany and CAC in France but following the advent of the Euro over twenty years ago the Euro Stoxx and other pan European indices have steadily established a dominant position. The Eurostoxx 50 represents the largest multinational stocks and the Euro 600 has greater diversification. There are two observations that can be made of the UK retail structured product market.

The first is that the use of the domestic indices is very strong. While UK structured products have also embraced other indices such as the S&P-500 and Euro Stoxx 50 this is generally as a worst-of product type to boost yield rather than to achieve diversification.

The second observation is that until the last few years UK equity underlying choices were almost universally the FTSE 100. A few products have always been linked to UK stock baskets but these are fundamentally different propositions. The FTSE 100 Is extremely well known to investors and this is the main reason for its popularity coupled with the fact that UK structured product investors tend to be quite conservative and low risk so that standard and simple product types linked to the FTSE 100 have been the obvious choice. While the FTSE Allshare for example is well known in the funds world it has never been a viable alternative because of the lack of liquidity in options and futures and difficulty in hedging the smaller stocks.

In the last few years there has been a significant increase in the use of UK index alternatives. These include the FTSE 100 Equal Weight Fixed Dividend Custom Index, FTSE Custom 100 Synthetic 3.5% Dividend Index (CSDI), FTSE 150 Equally Weighted Discounted Return Custom Index, FTSE UK Yield Weighted Price Return Index, FTSE4GOOD UK 50 Index and MSCI United Kingdom Sustainable Select 50 3.5% Decrement Index.

This table shows that products linked to UK indices only has increased over the last few years, mostly due to the drop in popularity of worst of FTSE 100 and EuroStoxx 50 based products which for this purpose we classify as non-UK. In 2018 they accounted for over 18% of products. It is noticeable that the use of alternatives to the FTSE 100 have grown significantly in the last two years and now stands at well over 20%.

These variations generally have fixed dividends (defined by yield or dividend points). The CSDI has a 3.5% yield whereas most of the others have a higher rate at five percent or equivalent. Fixed dividend indices have attracted a lot of attention in recent years across many markets as a more efficient way of banks hedging dividend risk. They all reinvest the actual dividend yield to create a total return version of the index and then deduct a predefined synthetic dividend instead. This means that banks are not exposed to dividend changes as part of their hedging which proved very costly in 2020 as we described in a recent article on hedging structured products.

Since these indices are all related to the FTSE 100, it makes hedging products a little easier since the liquid exchange and broker market in the FTSE 100 will help manage most of the volatility risk. As these indices gain further traction, we can expect increased activity in their own options.

Such a construction can change an index return quite significantly and generally allows for better headline product terms. The key question will be: does this extra yield or return compensate for increased risk and the possibility of underperformance compared to the mainstream version.

Some indices are also starting to use alternative and more efficient methodologies such as the use of liquid futures rather than actual stock levels to reduce hedging risk and transaction costs.

There has been significant development in indices in recent years and many indices are now specifically created to act as underlyings for structured products. Time will tell if long term performance and investor satisfaction are where they should be.

There is certainly a significant amount of education needed to explain the differences between these indices and the more well-known FTSE 100, particularly in a highly regulated market such as the UK.

Given the tendency for the UK market to be quite conservative it is not surprising that moves away from the FTSE-100 have been into variations rather than brand new concepts.

However these alternatives should not be thought of as identical to or clear improvements on the parent index. Inadequate or misleading governance would quickly run into problems from the UK regulator FCA for distributors and advisers.

So far there is has been little use of ESG compliant indices. FTSE itself launched its FTSE4GOOD index many years ago but so far it has had limited structured product take-up. This may increase in the future.

In summary we find that the previously conservative and narrow focused UK market is slowly opening up to alternative choices and this would be a welcome trend if supported by sound propositions and proper education.

Disclaimer: the views, information or opinions expressed herein are those of FVC, and do not necessarily reflect the views of SRP.

Table of use of UK indices within UK structured product market 2018-2021

	2018	2019	2020	2021
Percentage of UK only indices	68.0%	81.6%	84.2%	88.6%
Percentage of FTSE-100 alternatives	7.0%	8.6%	13.9%	22.5%

Source: www.structurededge.co.uk

Inflation and structured products

How to hedge or mitigate inflation risk. *By Tim Mortimer*

Inflationary pressures dominated the world economy in the 1970s. This was caused primarily by the sudden rise in oil prices and global shifts in currencies, trade and wealth. This eased in the 1980s as freer markets and stock market growth took over. Inflation has not really featured since and was declared dead by many commentators after the global financial crisis of 2008 when attention turned to resurrecting economies burdened by debt and showing no signs of growth. However, inflation has started to creep back into the narrative in the last few years as the effects of the global financial crisis were finally shaken off and economies started to expand.

It took the extreme events of 2020 to bring another flavour of inflation into the picture with the consequences of the Covid 19 pandemic. We can add the concept of supply shortages to the more common economic labels of demand pull and cost push inflation. Supply shortages affected trade, shipping and labour and caused widespread social and economic disruption. This had a knock-on effect of prices: US inflation (CPI) now stands at seven percent, the highest level since December 1981 and UK RPI is at 4.8%, the highest seen since 1992. Meanwhile, eurozone inflation is at a record five percent in the 20 years it has been calculated (Sources: BIS, ONS, ECB). A similar picture is true in many other economies indicating that inflation has now fully cast its shadow on world economies and markets.

The rising inflation picture has seen a corresponding rise in interest rates, with all three currencies below showing an increase in rates as measured by the five-year zero coupon rate over a 12-month period.

What is generally referred to as the real rate of return (the difference between interest rates and inflation) is relatively stable over the medium term which has occurred here with both inflation and rates rising. Historically the real rate of return is expected to be positive so that those investing in cash would receive a return over inflation (a real return). Given that rates have been near zero since 2008, it has been many years since most economies have experienced a positive real return. Negative real returns mean that it is impossible for an investor to match inflation without taking risks.

There are many ways to try to hedge or mitigate inflation risk. Equity investments can be a natural choice since companies' earnings are themselves often linked to inflation. The best equities to protect against inflation are usually low volatility high yielding cash rich businesses such as utilities and food and staples groups.

In several important markets inflation linked government bonds have been issued for many years. These include the US, UK, eurozone and Japan. Governments like to issue these types of bonds since their taxation take tends to be strongly inflation linked. This applies to both sales and income tax revenues which are exposed to prices and wages respectively. Therefore, governments issue such bonds knowing their income and liabilities are closely matched.

In the past, structured products have been issued directly linked to inflation. These were particularly popular in the UK 10 to 15 years ago, but have now virtually disappeared. This is due to low interest rates and the fact that inflation linked bonds tend to be heavily bought by insurance and pension funds seeking to hedge long term liabilities. Because the actuarial and risk averse approach that such funds take favours risk reduction rather than maximising return the price of the inflation bonds gets driven up to the point that the break-even inflation rate that can be implied relative to conventional fixed rate bonds becomes much lower than current inflation expectations. Because of this, the returns of such structured products would become unattractive for anyone except those convinced that inflation was set to increase strongly.

Given that inflation linked products are now very hard to put together, structured product distributors wishing to maintain product issuance when investors are worried about rising inflation or interest rates must adopt other approaches. Such alternatives ideas take advantage of the flexibility and range of the structured products market.

The first solution is to issue products of a shorter maturity than might normally be the case. This will avoid being locked into rates in a rising environment or have returns eroded by inflation. Issuing a five-year product instead of an eight-year one for example will tie investors' money up for a shorter period allowing re-investment at higher rates if inflation continues to rise.

Other simple strategies include keeping products closer to delta 1 than might otherwise be employed because this gives such investments less interest rate exposure although this has the effect of potentially increasing the risk level. For those investors that do need income it might be more logical to offer floating rates rather than fixed rate interest. Sadly, this is a solution that is rarely adopted in most markets despite its benefits principally because of the extra complexity that must be explained to a retail investor base.

The final alternative that could be considered is that of commodities which should perform well in a world of increasing inflation. Energy is the most obvious sector to tap into but structuring products can be difficult given volatility, forward curves and the cost of hedging. Decades ago, gold used to be thought of as the perfect inflation hedge and its price has shown decent growth in the last few years which may lead to an uptick in its popularity.

In conclusion we see that inflation is once again a material concern with supply issues causing an unfamiliar market environment. Structured products distributors and advisers should be aware of their investors needs and maintain a flexible and prudent approach in the next year or two as this plays out.

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	Current Interest Rate	Interest Rate 1 year ago	Change
USD	1.68%	0.50%	1.18%
GBP	1.55%	0.26%	1.29%
EUR	0.16%	-0.45%	0.61%

Source: FVC

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In the past, structured products have been issued directly linked to inflation

Product wrap: Société Générale offers 90% protection on Pimco cross-asset strategy

In this month's wrap, we look at a selection of structured products with strike dates between 16 January 2022 and 19 February 2022.

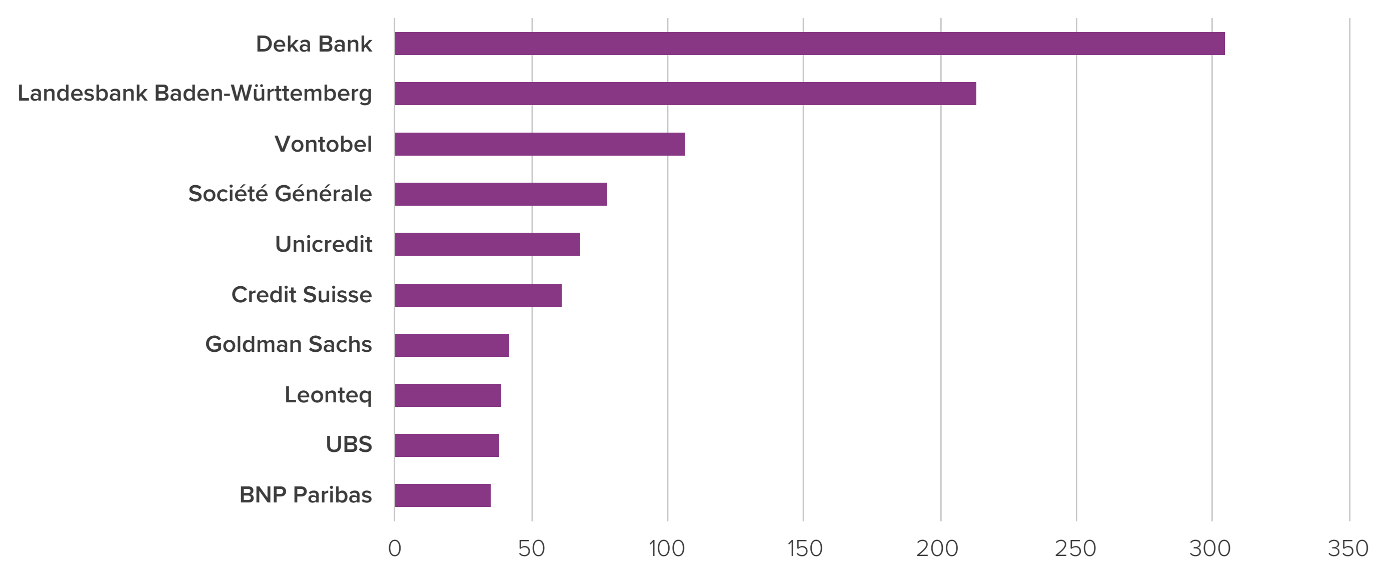
EUROPE

CNP Assurances distributed CNP Pimco Multi Asset 90% V3 in France. The five-year medium-term note (MTN) offers access to Pimco GIS Dynamic Multi-Asset Fund, a cross-asset investment strategy that invests across global asset classes including equity, credit, interest rate, FX and real asset markets. At maturity, the product participates 92.72% in the performance of the fund, subject to a minimum capital return of 90%. A decrement of 1.50% pa is deducted. The product is listed in Luxembourg. It is issued on the paper of SG Issuer while Société Générale acts as the guarantor. Priips Summary Risk Indicator (SRI): two out of seven.

Deutsche Bank collected US$8.5m (€7.6m) with Green Note Fund Opportunity Coupon USD 2032 in Belgium. The 10-year medium-term note (MTN) offers a yearly coupon equal to the annualised performance of Robeco SAM Sustainable Water Equities D EUR Fund, capped at five percent. At maturity the product offers 100% capital return. The product is part of Deutsche's green bond programme and the proceeds will be used to (re)finance 'green' projects in the renewable energy sector, energy efficiency sector and in green commercial real estate. It is listed in Luxembourg. The issue price of 102% includes a distribution fee of up to 4.5% and a structuring fee of maximum two percent. Priips SRI: two out of seven.

Meteor Asset Management collaborated with Crédit Agricole CIB for the launch of FTSE Growth Kick Out Plan January 2022 in the UK. The product has a tenor of up to eight years. It is subject to early redemption if the underlying FTSE 100 Index closes at or above 105% of its starting price on the annual valuation date. In that case, it offers 100% capital return plus a coupon of nine percent for each year that has passed. Investors will lose money if the final level of the index is below 65% of its initial level. The plan is available for investment by individual applicants; Isa's; pension schemes; or by trustees,

Europe: top 10 issuer group by issuance - 16 Jan 2022 to 19 Feb 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

companies and partnerships. Meteor receives a distribution fee of 1.50%. The product is listed in London. Priips SRI: five out of seven.

Pohjola Pankki launched OP SijoitusPlus Terveys XVI/2021 in Finland. The five-year MTN offers 180% participation in the upside performance of the Euronext Global Health Care 50 EW ESG Decrement 5% Index, capped at 30%. If the index has fallen, the investor participates 1:1 in the decrease, with an overall minimum capital return of 75%. The product is not listed. There is a one-off entrance fee of 1.25%. Priips Summary Risk Indicator (SRI): three out of seven.

Raiffeisen Centrobank introduced Europa Technologie Aktienanleihe in Austria. The two-year reverse convertible is linked to a worst-of basket comprising the shares of ASML Holding, SAP, and Infineon. The certificate pays a fixed annual coupon of 7.50%. It offers a partial protection up to the American barrier of 59% (daily closing) of the starting value as safety mechanism. The product can be traded at the exchanges of Frankfurt, Stuttgart and Vienna. Priips SRI: five out of seven.

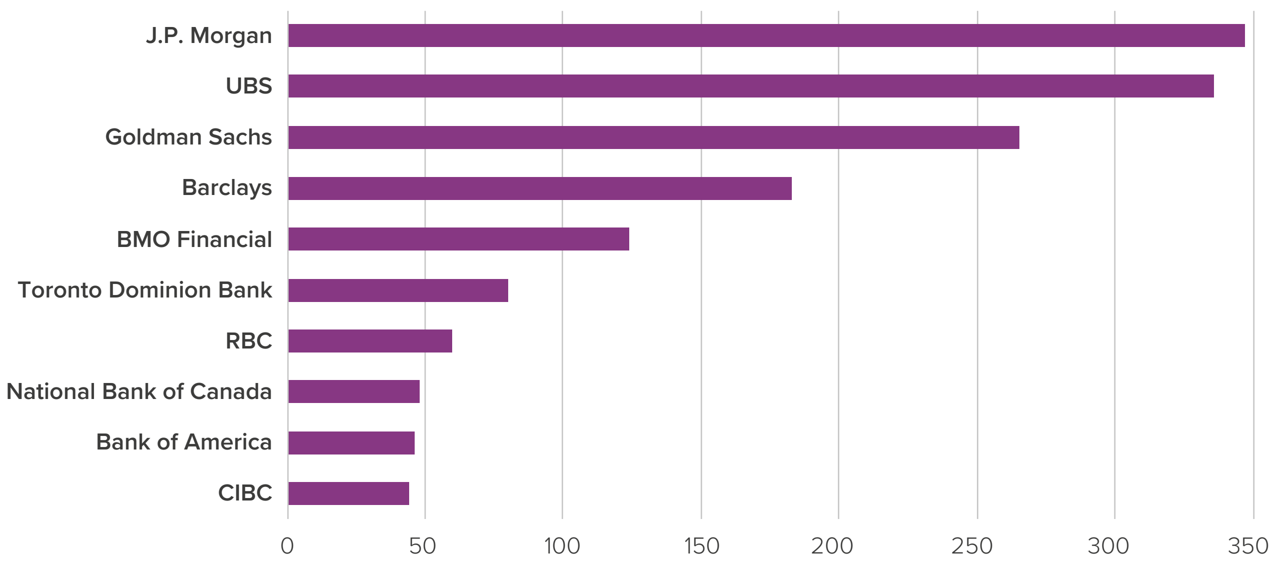
Landesbank Baden-Württemberg issued LBBW Deep-Express-Certificate on the Dax in Germany. The six-year product features a step-down autocall barrier, which starts at 100% and decreases by five percent per year. If the product is subject to early redemption, the investor receives a coupon of 2.25% for each year elapsed. At maturity, if the index closes at or above 60% of its starting level, the product offers 100% capital return. Otherwise, the investor is paid out in iShares Core Dax Ucits ETF. The certificate can be traded on the exchanges of Stuttgart and Frankfurt. Priips SRI: four out of seven.

NORTH AMERICA

Bank of Montreal launched Series 1860 (CAD) of its BMO AutoCallable Buffer Notes in Canada. The product has a seven-year tenor and is linked to the Solactive Canada Insurance AR Index. It redeems early, annually, if the index closes at or above its initial level on the valuation date. Partial downside protection is provided by a buffer against a decline of up to 25%. For every one percent decline in the final level below the buffer level, the payment will be reduced by 1.33% of the principal amount. A selling concession fee of C$2.50 per note sold is payable. An additional fee of up to C$0.20 will be payable to Raymond James for acting as independent agent.

J.P. Morgan achieved sales of US$915,000 with its uncapped accelerated barrier notes (48133CJC7) on a worst-of basket comprising Eurostoxx 50 and Stoxx Europe 600 in the US. The registered note has a tenor of five-years. At maturity, if neither index has fallen by more than 30% compared to its starting level, the product offers minimum 100% capital return, plus 266% of the rise in the worst performing index. Otherwise, the investor participates 1:1 in the fall of the worst performing index. The notes will be sold to fee-based advisory accounts for which an affiliated or unaffiliated broker dealer is an investment adviser. There is a structuring fee of 0.70%. The estimated value of the notes is US$972.30 per US$1,000 principal amount.

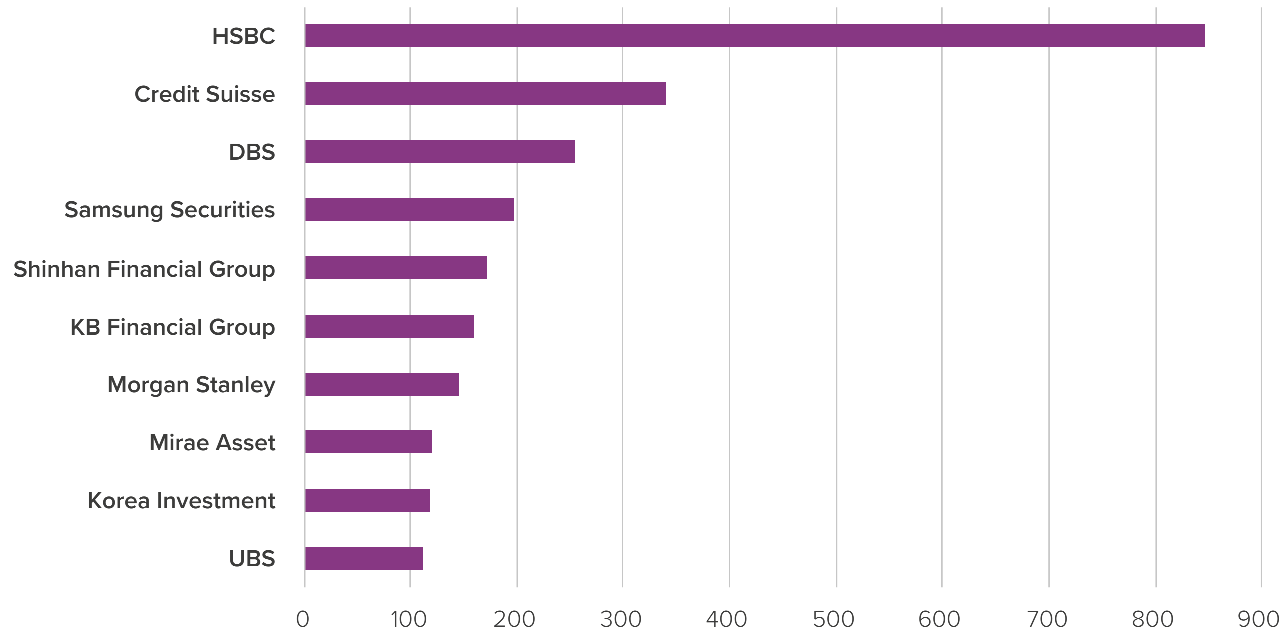
Americas: top 10 issuer group by issuance - 16 Jan 2022 to 19 Feb 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Asia Pacific: top 10 issuer group by issuance - 16 Jan 2022 to 19 Feb 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Also in the US, **Morgan Stanley** sold US$1.7m worth of Trigger Jump Securities on a worst-of basket composed of the Nasdaq 100, Russell 2000, and DJ Industrial Average Index. At maturity, if each index is at or above its initial level, the product offers 100% capital return plus the greater of 40% and 100% of the rise in the worst performing index. If the worst performing index has fallen, but not below 70% of its starting level, the product offers 100% capital return. The estimated value on the pricing date is US$915.10 per security.

ASIA-PACIFIC

HSBC Bank targeted its CNY Note S11 at retail investors in China. The two-year deposit features the shark fin payout. Its return is tied to the performance of the MSCI World ESG Screened 5% Risk Control Index, which tracks the performance of an investment strategy that seeks a specific level of risk by varying the weights of the MSCI World ESG Screened Index and a cash component. If the index is at or above 112% of its initial level at any time during the tenor, the product offers a capital return of 100% plus a coupon of 3.25% pa.

Sumitomo Mitsui Trust Bank launched the five-year registered note M20270202 on the S&P 500 and Nikkei 225 in Japan. The product offers a fixed coupon of 4.5% pa for the first quarter of investment. Every subsequent quarter a coupon of the same amount is paid if both indices close at or above 85% of their initial levels, or a coupon of 0.1% pa otherwise. The product has a step-down autocall barrier, which starts at 105% and decreases by one percent per quarter. An American barrier of 50% applies at maturity.

Hana Daetoo Securities issued ELS 13240 in South Korea. This three-year product offers a fixed coupon of 0.375% at the end of each month if the price of the S&P 500 is at or above 65% of its initial price. Every quarter, the product can redeem early, if the index closes at or above the predetermined step-down barrier. At maturity, if the index does not close below 65% of its starting level, the product offers 100% capital return. This product is also available via Standard Chartered First Bank Korea.

LATIN AMERICA

XP Investimentos teamed up with Credit Suisse for the launch of CS Saúde Digital in Brazil. The 5.5-year structured deposit is linked to the proprietary CS Digital Health Fund Index. At maturity, the product 100% participation in the performance of the index, subject to an overall minimum capital return of 138%.

Monex collected MXN12.2m (US$595,000) with a one-week dual currency note linked to the appreciation of the US dollar relative to the Mexican peso. If the final level of the USD/MXN is equal or lower than the barrier, the investor will receive 100% capital return plus eight percent per annum, paid in USD. Otherwise, the return will be 100% capital return plus eight percent pa, paid in MXN at an exchange rate of 20.435.

People Moves

SG appoints EU head of public distribution

Société Générale Corporate and Investment Banking (SGCIB) has promoted **Didier Imbert** to head of public distribution Europe, effective immediately.

Imbert (pictured) takes over from Klaus Oppermann, the former head of public distribution Europe and managing director at the French bank who ended his professional career at the end of 2021. In this new role, Imbert reports to Olivier Chameau, global head of linear equity derivatives trading and public distribution, and Julien Lascar, global head of equity derivatives sales.

In addition, Peter Boesenberg has been appointed as deputy head of public distribution Europe, in addition to his role of head of public distribution, Germany & Austria.

Imbert was previously head of exchange-traded solutions for Europe and head of cross asset public distribution Europe ex-France since 2017. He was formerly head of cross asset solutions sales, UK & Ireland, in London, after having held various positions within the group over the last 15 years, including head of structured alternative investments at SG Americas in New York, and head of asset allocation and member of the executive committee of Lyxor Asset Management.

Opperman joined SG in 2020 from Commerzbank where he was head of public distribution, corporate & markets division, after the French bank completed its acquisition of Commerzbank's equity markets and commodities' (EMC) business with the integration of the exchange-traded investment solutions.

Opperman was also an active member of the German Derivatives Association (DDV) board since 2008. He has now stepped down from the DDV board and has been replaced by Markus Bärenfanger of DZ Bank.

UBS global markets co-head relocates to US

The head of global markets (GM) sales for Apac, **Daniel Murphy** (pictured), has moved to New York after leaving his position in Hong Kong SAR in December.

In his new role, Murphy reports to Derek Capanna, head of global markets, Americas at UBS, who joined from Deutsche Bank in 2015. He succeeded Mark Ratcliffe, who was named global head of investment banking (IB) integrated client lifecycle services at UBS in New York in January, according to a senior source.

Murphy works alongside Michael Pasquale, who also serves as managing director and co-head of GM sales for Americas.

Having joined UBS as a managing director in Hong Kong SAR in 2017, Murphy has held several positions including head of structured sales for Apac, after Bilal Al-Ali left for Morgan Stanley in April.

Causeway Securities unveils new hires

Causeway Securities has appointed **Andrej Ogorevc** (pictured) as chief investment officer (CIO). Ogorevc joins from Quilter where he worked as head of investment proposition and head of structured products.

At Quilter, Ogorevc was responsible for investment propositions and for developing structured products distribution for Quilter International. Prior to that he was a consultant for the interest rate derivatives sales review SME derivatives project at Lloyds Banking Group. Before that he had a role in sales and structuring at Chenavari Financial Advisors and as a cross-asset derivatives structurer at TFS Derivatives, both in London.

The UK brokerage also hired Josh Clancey who joins as global head of fund sales, a newly created position where he will be responsible for the sales and development of the firms Defined Growth Fund. Clancey joins from Praemium International where he was responsible for distribution to the offshore market. Prior to that he had various sales roles at Friends Provident International. Clancey has been based in Dubai since 2014 and he will continue to be based there in his new role.

The Defined Growth Fund, which launched in February 2020, is a fund of structured products that aims to generate an annualised net return of seven percent over the medium to long term, via an actively managed exposure to a portfolio of autocallable instruments linked to major equity indices. Both Ogorevc and Clancey report to Conor O'Donnell, CEO of Causeway Securities.

Bank of Singapore in structured products push

Bank of Singapore (BoS) hired James Chye, Jiaxuan Wu and Randall Wee following the appointment of **Vivienne Chia** (pictured) in September as managing director, global head of investment advisory solutions. Chia, who was ex-head of structured products origination and product management for Apac, global markets at UBS, brought in the three bankers from her previous team.

Chye joined as executive director, head of structured products. He spent nearly eight years at the wealth management capital markets division at UBS where his last role was head of structured products origination for Apac. Prior to that, Chye was an equities derivatives trader at OCBC Bank for two years after serving at the Royal Bank of Scotland for six years. In the new role, he reports to Chia.

Wu has been appointed director, structured products specialist, reporting to Chye. She was at UBS from October 2018 after working as an equity derivatives trader at ING Bank for eight years. Wu started her career as a market risk analyst at OCBC Bank in 2006 and shifted to equity derivatives trading two years later at the Singaporean bank.

Wee joined BoS as an associate director, structured product specialist. He worked in structured product origination at UBS starting as a graduate trainee in July 2019.

The new team is expected to diversify the private bank's structured product offerings backed by an open-architecture product platform on top of its existing flow business.

UBS names head of QIS structuring Americas

Julien Chuard (pictured) has been hired as head of QIS structuring for Americas at UBS in New York following a short stint at MerQube.

Chuard joined from MerQube where he stayed for five months as head of products in charge of creating and distributing products, and commercialising 'large scale and highly available systems and next generation technology driven indices'.

He was responsible for building 'momentum and grow' for the firm as well as contributing to bring new ideas to market in the quantitative, volatility, asset allocation and linear spaces.

Prior to MerQube, Chuard was head of institutional QIS structuring at J.P. Morgan in New York and Hong Kong SAR focusing on quantitative strategies in the volatility, asset allocation and linear space.

During his time at J.P. Morgan, he was involved in the development of the S&P Economic Cycle Factor Rotator Index (Rotator index), which was jointly developed by S&P Dow Jones Indices and J.P. Morgan and launched in August 2016.

Solactive appoints head of research

Konrad Sippel (pictured) has joined the management team at Solactive as head of research. Sippel joined the index provider from Deutsche Börse Group, where he worked for 21 years, most recently as head of big data and automation, leading the group's data science, automation, and big data activities.

Prior to that, Sippel was the head of the Deutsche Börse Content Lab, focusing on the development of 'innovative content and intellectual property', after the German group restructured market data + services (MD+S) business area in 2016.

Before that Sippel was serving as global head of business development for the Dax and Stoxx indices. At Stoxx, he successfully oversaw the development of many of the investment strategies that were commercialised through the group's indices, including the iStoxx smart beta range, which has over US$1 billion in assets linked to structured products.

UK SPA chief joins buy-side boutique

UK structured products provider Dura Capital revamped its senior management team with several industry veterans.

The former retail arm of Catley Lakeman's Securities, Dura Capital, has been acquired by **Zak de Mariveles** who now owns 75% of the company's shares. De Mariveles (pictured) who has taken the helm as the firm's new chief executive officer is also chairman of the UK Structured Products Association (UK SPA) and has over 20 years' experience building UK structured products businesses at a number of investment banks, including Barclays, Royal Bank of Scotland and Société Generale.

De Mariveles was head of UK investment financial advisor (IFA) and exchange-traded sales at Société Générale global markets business for seven years until February 2019 when he parted ways with the French bank to launch Structured Financial Consulting - a derivatives consultancy service specialising in UK financial advisor sales & distribution, including regulatory and operational processes and technical innovation.

Dural Capital has also appointed Mark Aldous, as a non-executive board member. Aldous is managing director of structured retail products at Delta Capita. Prior to that he was managing director and head of structuring at Credit Suisse in London.

In addition, the UK firm has appointed Mike Newman as head of operational risk & compliance. Newman has over 30 years' experience in the UK industry. He has held many senior roles, most recently as group COO of Catley Lakeman May Ltd. His previous roles include director of investments at Target Group and COO at Investec.

This follows the appointment of Andrew Wolfson, as head of trading & structuring, in late 2021. Wolfson spent the last 20 years in South Africa where he held senior positions at FirstRand Group's RMB Global Markets including client & technical structurer, head of cross-asset structuring and multi-asset solutions strategist.

Citigroup

Sue Lee, managing director and co-head of equity derivatives distribution at multi-asset group (MAG) at Citigroup is set to relocate to Singapore from Hong Kong SAR next month, SRP has learned. The relocation is due to family reasons, a spokesperson at the US bank told SRP. Lee was appointed to her current role in the summer of 2021 alongside Cyrille Troublaiewitch who will remain in Hong Kong. She will continue to report to Julia Raiskin, managing director and head of equities and securities services for Apac based in Singapore.

Lee joined the US bank in 2012 as co-head of equity derivatives in Asia after several years at Credit Suisse where she was a senior executive in the bank's equity-linked and convertible bond team. Citi split in mid-2021 split its client coverage across three business lines covering all asset classes for flow and non-flow business in Apac, led by Jennifer Wong (right), head of Apac private banks; Young Yoon, head of Korea sales; and Victor Cheng as head of Citi private bank internal client channel.

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