

SRPInsight

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Spotlight on... capital protection in the UK

Publicly distributed structured products that put full capital-at-risk claimed their highest market share in five years in the UK.



the remaining products were worst-of structures, either linked to a basket of shares (57) or a basket of indices (37).

Walker Crips was the main distributor, collecting an estimated GBP200m from 99 products while Barclays Bank was the number one issuer for capital-at-risk products (GBP125m from 66 products).

Structures offering 100% capital protection saw their market share decrease to 13.1%.

Some GBP122.5m was collected from 44 such products in 2021, compared to GBP204m from 62 products the previous year. Average sales volumes, at GBP2.8m for 2021 versus GBP3.3m for 2020, were also down.

Payoffs were mainly digitals while underlyings were once again dominated by FTSE 100 (38 products). There was

also a deposit linked to the Solactive Climate Change Europe BTI PR Index, which was debuted by Causeway/Barclays in 2021.

Investec, despite halting the issuance of retail structured product plans from April 2021, was the most active provider.

The next category, that of products providing a capital return of above 100%, captured 6.4% of the market (2020: 8%).

The 11 products in total were all digitals on the FTSE 100 that were issued by Santander. They included issue 27 of the bank's Defined Return Plan, which was the best-selling product of the year with sales of GBP39.4m.

Finally, two products, both distributed via Idad in collaboration with Goldman Sachs, offered to return at least 95% of the nominal invested. Their market share was marginal (0.4%).

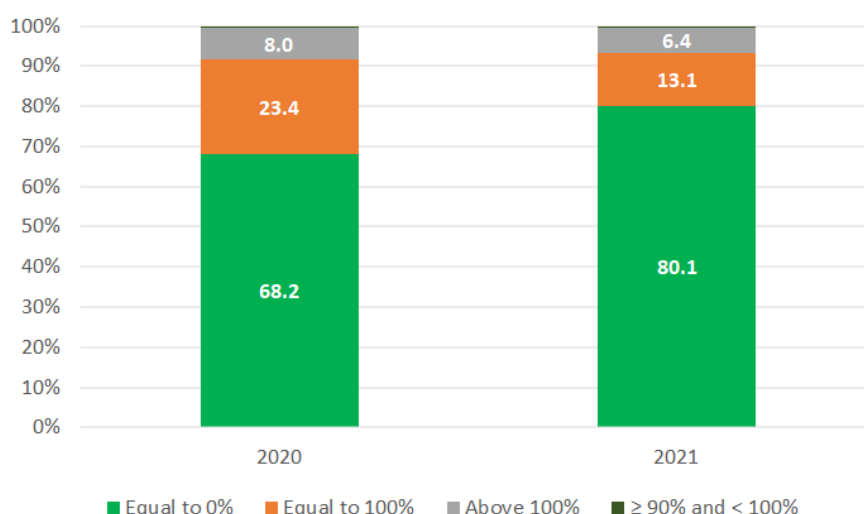
An estimated GBP750m (US\$1 billion) was invested in 439 structured products that offered zero protection – the equivalent of an 80.1% share of the UK market, the highest since 2017 and an increase of 11.9% year-on-year (2020: GBP595m from 325 products).

The previous high was five years ago, when capital-at-risk products captured 90% of the UK market.

Average sales volumes, at GBP1.7m per product, remained stable (2020: GBP1.8m).

The vast majority (342 products) were autocallable plans linked to single indices, including the FTSE 100 (248), the FTSE 100 Equal Weight Fixed Dividend Custom Index (49) and FTSE Custom 100 Synthetic 3.5% Fixed Dividend Index (35), while most of

UK: Capital protection - market share by sales volume (%)*



*Public distribution only, excl. flow- and leverage products

Source: StructuredRetailProducts.com

SIX: participation products, commodities dominate

The SIX Swiss Exchange has reported turnover of structured products reached CHF1.7 billion (US\$1.9 billion) in March, a year high, and an increase of 16.5% compared to the previous month (CHF1.5 billion).

There were 8,799 new listings (February: 5,183) and the number of trades, at 66,244, increased by 8.8% month-on-month (MoM).

As of 31 March 2022, 46,041 structured products were available for trading on the exchange.

“Due to triple witch expiry in March and high market volatility, the number of newly issued products reached 8,799 products, highest number since March 2020, of which 88% were leverage products,” said André Buck, global head sales & relationship management, SIX Swiss Exchange.

“As expected in volatile markets, main focus in issuing was in Dax, SMI and Nasdaq leverage products with Tesla in 4th place with 173 newly listed products,” Buck added.

All product segments recorded an increase in turnover in March. The main category were participation products, which were responsible for 53.5% of the total turnover, or CHF928m (February: 49.8%).

The highest growth was registered by credit-linked products, which were up 125.9% MoM, followed by participation products, which exceeded their previous month value by 25.20%, and leveraged products, which increased by 10.8%.

Participation products on commodities dominated in March, with the highest turnover achieved by an open-ended tracker certificate on the UBS Bloomberg CMCI Composite Total Return Index (CHF183m).

A put on the Dax index that was issued via Vontobel was the number one

SIX: top 3 yield enhancement products in March

Symbol	Issuer	ISIN	Product type	Underlying	Turnover (CHFm)	% of total turnover	Number of trades
VIFNDZ	ZKB	CH1105876424	Discount Certificate	Vifor Pharma N	3	1.52%	13
MAZKJB	Julius Baer	CH1136238149	Barrier Reverse Convertible	Eurostoxx 50, S&P 500, SMI Index	2	0.73%	6
RMBM8V	Vontobel	CH1117642525	Barrier Reverse Convertible	China Petroleum & Chemical, PetroChina, Petroleo	1	0.72%	18
Total yield enhancement products					207	100%	5,850

Source: SIX

leverage product, with a turnover of CHF10m achieved from 161 trades.

There was less interest in capital protected products with only nine new listings during the month. The strongest demand was for a capital protection product with participation in the Swiss Market Index (SMI). It was issued via Credit Suisse and recorded a turnover of CHF2m from 10 trades.

The total number of capital-protected products listed on the exchange is 314 (February: 315).

Yield enhancement products achieved a total turnover of CHF207m from 5,850 trades. The biggest seller was a discount certificate from Zürcher Kantonalbank (ZKB) on the share of Vifor Pharma. Interest in the product, which had a turnover of CHF3m, was boosted by the fact that the Swiss small cap is due to be acquired by Australian biotechnology company CSL for US\$11.7 billion.

Multi-barrier reverse convertibles (BRC) from Julius Baer and Vontobel took second and third place, respectively. The former had a turnover of CHF2m (six trades) and was linked to a basket comprising the Eurostoxx 50, S&P 500 and SMI. Vontobel's BRC (CHF1m turnover/18 trades), which was first issued in July 2021, was tied to a basket of three energy companies comprising China Petroleum & Chemical, PetroChina, and Petroleo Brasileiro.

In the leverage segment, turnover increased by 10.8% to CHF590.3m. Vontobel was the leading provider with a 54.7% market share, followed by UBS which held 23.5% of the market. ZKB advanced to third place as it captured 10.7% of the Swiss turbo market. Together with Julius Baer, the four largest banks claimed 98% of the market for leverage products.

The top 10 underlyings for newly listed leverage products included Dax (661 products), SMI (333) and Nasdaq 100 (198).

Mediobanca deploys DLT platform for automated issuance, lifecycle management

Italian bank Mediobanca has partnered with UK software-as-a-service (SaaS) Agora Digital Capital Markets to automate its certificate issuance process using the agoraPlatform, a platform that uses Distributed Ledger Technology (DLT).



The project developed by the two companies will enable Mediobanca to achieve greater operational efficiency and is aimed at facilitating growth in investment certificates, a market in which the Italian bank is one of the leading players with more than 300 issuances per annum.

'Digitalising issuance workflows is a new achievement for Mediobanca in its technology innovation road map and makes it one of the first movers in the certificates market,' said Marco Pozzi (pictured), Mediobanca Group chief operating officer.

Mediobanca is seeking to leverage the functionalities of the platform to increase the volume of issuances to 'satisfy the growing demand from its distributors'.

AgoraPlatform uses smart contracts and DLT in the issuance and life-cycle management of certificates.

The platform has been designed to significantly reduce the time to produce offering documentation for investment certificates issuance which normally requires the compilation of large volumes

of repetitive information and is liable to operating errors.

Going forward this information will be automated with manual input only required in the initial phase.

Mediobanca also wants to capitalise on the competitive advantage, especially at a time when distributors are preferring issuers who not only offer competitive prices and efficiency but also an improved time-to-market in drawing up contracts, which is seen as a decisive factor in allocating investment choices in optimal fashion.

'The adoption of DLT technology also lays the foundation for further automation of the life cycle post-trading, both internally and externally, in an ecosystem that in the future may include central securities depositories and issuing partners,' said Pozzi.

The infrastructure developed by the UK fintech facilitates 'seamless interaction between different capital markets units and departments including sales, structuring, negotiation and documentation in a digital environment'.

This enables all issuance documents, including term sheets, final terms and any

other ancillary documents, to be drawn up and finalised automatically. Such innovation is enabled by DLT and smart contracts, which facilitate the real-time synchronization of all players, internal and external, involved in the entire issuance process, according to Charlie Berman, co-founder and CEO of Agora.

"As one of the leading players in the international certificate market, Mediobanca benefits from solutions that reduce time to market," a spokesperson for Mediobanca added.

"The agoraPlatform is the world's first platform to use smart contracts and DLT in the issuance and life-cycle management of certificates, meaning that Mediobanca will achieve greater operational efficiency, increase the volume of issuances, and be able to satisfy the growing demand from distributors. This shows that smart contracts are having an impact on the fixed income market right now and important, meaningful ways," the spokesperson said.

Following the initial launch of the platform in the summer of 2021 and full implementation, Mediobanca now has over 20 active users of the product and has already completed the first issues through the platform.

“

Digitalising issuance workflows is a new achievement for Mediobanca in its technology innovation road map

BNP Paribas builds up leverage range to respond to “influx of new clients”

BNP Paribas is seeking to capitalise on its position as a top five global provider of flow and leverage products to expand its offering to better address the current market context and respond to investor demand for new underlyings.



SRP spoke to Benoit Roquant, global head of exchange-traded solutions, BNP Paribas, about the increasingly competitive European market and where is the growth coming from for providers of listed structured products.

According to Roquant, the competition is “strong and healthy” with a mix of historical leverage ETP issuers including BNP Paribas which have served the market for more than 20 years and periodically new entrants, including a number of US banks which have increased their profile in the flow side of the market over the last few years.

“We observe that historical players offer the widest range of products, including typically both leverage and investment products, on numerous marketplaces with dedicated sales and marketing teams in each country, in comparison with newer entrants who are focusing

on part of the product range only with smaller, more centralised teams,” said Roquant.

As high tides rise all ships, all players in the structured products listed space “are profiting from the surge in retail investing since the Covid crisis”.

“2021 was a truly exceptional year with very high volumes traded in the market, just slightly below what we saw in 2020 with the first Covid-crisis,” said Roquant.

“There was a massive affluence of new investors in 2020 and this kept going in 2021, confirming the trend to a higher pro-activity of retail investors in general.”

For BNP Paribas ETP leverage business, 2021 was an “all time high record year in terms of client activity” – the French bank also extended the range of products on US underlyings “to meet the very strong demand we see notably on US technology firms”.

BNP Paribas issued more than 170,000 leverage products on 450 underlyings in 2021 which represents almost half of the overall issuance of leverage products in Europe last year.

The bank has cemented its position “as #1 issuer of leverage products in Europe” with “a wide product range and reliable market making”, according to Roquant.

In 2021, the French bank signed a pan-European distribution agreement with Europe’s largest pan-European retail online broker Flatex DeGiro Bank, and launched new ETP websites in Germany and Italy to offer real-time prices to its customers, as well as “new efficient product finding tools and which are made for both desktop and mobile devices”.

TRENDS

“The biggest growth is coming from the massive influx of new clients in the market,” said Roquant.

In terms of trends, according to Roquant, the main drivers of activity in the listed market are US equities rather than EU equities.

“Product wise, [we have] invested a lot in our product range, [specifically] on US equity underlyings which are a fast-growing space with very significant volumes. It is especially - but not only - the new generation of investors which is interested in US rather than in EU underlyings.

Another strong trend, is a shift towards simplification in the space of search tools and trading interfaces, which is an area where the French bank has also been a pioneer with its Smartphone App ‘traders box’ which is available in Germany and allows investors “to find the right leverage product in just three clicks”.

Leverage derivatives on crypto underlyings have also been trendy in 2021 with some niche players such as Leonteq at the forefront of developments. In Germany, for example, which is the biggest market for leverage ETPs, they account for only 0,41% of the leverage products turnover in 2021, compared with 44,8% tracking the DAX.

However, according to Roquant, these products will remain in focus going forward.

“All in all, they represent just a very small portion of the market, [but] this is a topic which is coming and which BNPP is actively monitoring,” said Roquant.

Julius Baer: record profit, structured products AuM falls

Julius Baer has reported a 55% growth in net-profit to CHF1.1 billion (US\$1.2 billion) for 2021, surpassing the CHF1 billion mark for the first time in the company's history (FY 2020: CHF699m).



Assets under management (AuM) rose to CHF482 billion, up by CHF 48 billion or 11%. This increase was driven by significant positive market performance and bolstered by strong net new money inflows. Structured products made up four percent of the total AuM, or CHF19.3 billion (2020: CHF21.7 billion).

As of 31 December 2021, liabilities on the

groups balance sheet included CHF14.5 billion structured products issued (end-December 2020: CHF13.2 billion).

The Swiss private banking group led by Philipp Rickenbacher (pictured) issued 1,092 publicly offered structured products in its domestic market in 2021, according to SRP data (2020: 1,261).

The structures, which were issued on the paper of the bank's Guernsey branch, were all reverse convertibles and included products with additional features such as callable option (565 products), knockout option (110), and worst of option (465). They were listed on the Six Swiss Exchange in the trading segment for structured products.

Almost all new issues were linked to equities, with 630 products linked to single stocks and a further 265 products tied to a basket of shares. Some 317

individual shares were used during the year, with financials (168 products), companies from the technology sector (165) and health care (162) especially in demand.

The most popular individual share was that of Apple (30 products), followed by Netflix (23) and Amazon (22).

Structures linked to a basket of indices, at 191 products in total, saw their market share increase by seven percent compared to the previous year.

They almost all featured the S&P 500 (182 products), with many also adding the local Swiss Market Index (169), and Eurostoxx 50 (156).

Products on single indices were down to just three (2020: 31); two products were linked to ETFs; and one product came from the real estate asset class.

Julius Baer - breakdown of assets under management (AuM)

Asset mix	31-Dec-19	31-Dec-20	31-Dec-21
Equities	28%	30%	33%
Bonds (including convertible bonds)	19%	17%	13%
Investment funds*	26%	27%	30%
Money market instruments	4%	2%	1%
Client deposits	17%	18%	17%
Structured products	5%	5%	4%
Precious metals	1%	1%	2%
Total	100%	100%	100%

*Includes, amongst other asset classes, further exposure to equities and bonds

Source: Julius Baer full year 2021 results and business update

Coupons ranged from three percent to 34.55% per annum, with the latter seen in a callable barrier reverse convertible (BRC) on the shares of Apple, Tesla and United Health, which had an American barrier of -45%. The product was called on 24 June 2021, four months after its initial launch.

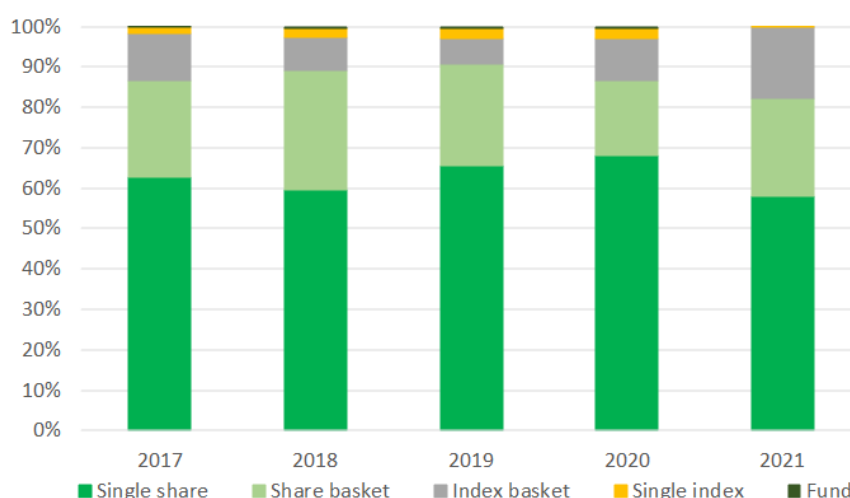
The average coupon for the bank's products in 2021 was 8.40% (2020: 8.42%) while the average barrier for capital protection stood at 66.74% (64.65%).

Some 463 products issued in 2021 were denominated in Swiss francs; 388 in US dollars; 238 in euros; and the remaining three in sterling.

Net commission and fee income grew by 14% to CHF2.3 billion, driven mainly by significantly higher advisory and management fees, which went up by 22% to CHF1.6 billion, well above the 15% rise in monthly average AuM.

Brokerage commissions grew at a lower rate of three percent to CHF839m as client activity slowed down after a very

Julius Baer: Swiss issuance by asset class*



*Public offers listed on Six Swiss Exchange

Source: StructuredRetailProducts.com

strong first quarter of 2021. Net new money improved by 30% to CHF20 billion, growing at a rate of 4.5% over the year. All regions saw positive net inflows, with particularly strong contributions

from clients domiciled in Western Europe (especially the UK, Ireland, Germany, Switzerland and Luxembourg), the UAE, Brazil and Asia (especially Singapore, Japan and India).

ESAs unveil SFDR regime timetable

EBA, Eiopa and Esma - the three European Supervisory Authorities (ESAs) have updated their joint supervisory statement on the application of the Sustainable Finance Disclosure Regulation (SFDR).

This includes a new timeline, expectations about the explicit quantification of the product disclosures under Articles 5 and 6 of the Taxonomy Regulation, and the use of estimates.

The supervisory statement aims to promote an effective and consistent application and national supervision of the SFDR, to creating a level playing field and protect investors.

The ESAs recommend that national competent authorities and market participants use the current interim period from 10 March 2021 until 1 January 2023 to prepare for the application of the forthcoming Commission Delegated Regulation containing the Regulatory Technical Standards (RTS) while also applying the relevant measures of SFDR and the Taxonomy Regulation.

Financial market participants must provide during the interim period an explicit quantification, through the numerical disclosure of the percentage, of the extent to which investments underlying the financial product are taxonomy-aligned.

The European Commission is required to endorse the ESAs draft RTS within three months of the publication. Subject to the non-objection by the European Parliament and Council of the European Union – within three months following the Commission's endorsement – the RTS will be adopted by the Commission by means of a delegated regulation.

UK watchdog sets own Priips rules

The UK Financial Conduct Authority (FCA) has set out its final policy position on the Packaged Retail and Insurance-based Investment Products (Priips) Regulation.



The UK regulator will introduce new rules to clarify the scope of the Priips Regulation for corporate bonds, making it clearer that certain common features of these instruments do not make them into a Priip as well as interpretative guidance to explain what it means for a Priip to be 'made available' to retail investors.

'We want retail investors to receive more reliable, and comparable, information at the point of sale, facilitating better product understanding, and reducing unsuitable purchases,' stated the regulator, adding that the clarification of the scope of Priips is intended to provide manufacturers and distributors with more

confidence to issue corporate bonds accessible to retail investors without an accompanying KID where they have been reluctant to do so before.

'This should increase retail access to higher quality instruments that benefit from wholesale market pricing,' stated the FCA.

In addition, the regulator will amend the Priips Regulatory Technical Standards (RTS) to replace the requirements and methodologies for presentation of performance scenarios in the KID with a requirement for narrative information on performance to be provided; address the potential for some Priips to be assigned an inappropriately low summary risk indicator in the KID; and clarify certain applications of the 'slippage' methodology when calculating transaction costs.

The changes to the regulation come after the FCA analysed the feedback it received to its consultation CP21/23 released in July 2021 to address the most serious and persistent concerns identified through the ongoing monitoring of the onshored Priips regulation.

The FCA received 39 responses to its consultation. Although there was 'good support' for the new proposals the regulator was challenged on a number of items including the request for further clarification on whether specific products were in the scope of the Priips regime.

According to the regulator, some respondents queried if £100k was a suitable amount for a product to be viewed as not made available to retail investors, while others questioned why the slippage methodology was being retained. Other respondents wanted performance scenarios to be retained for specific products, as it works well for them.

The regulator will also make consequential date changes to the Priips RTS and its Handbook rules to align with the extension of the Undertakings for Collective Investment in Transferable Securities (Ucits) exemption contained in the Priips Regulation to 31 December 2026.

The Handbook rules and RTS came into force on 25 March, with a transition period which will end on 31 December 2022, by which date firms offering Priips in the UK market must apply the new requirements.

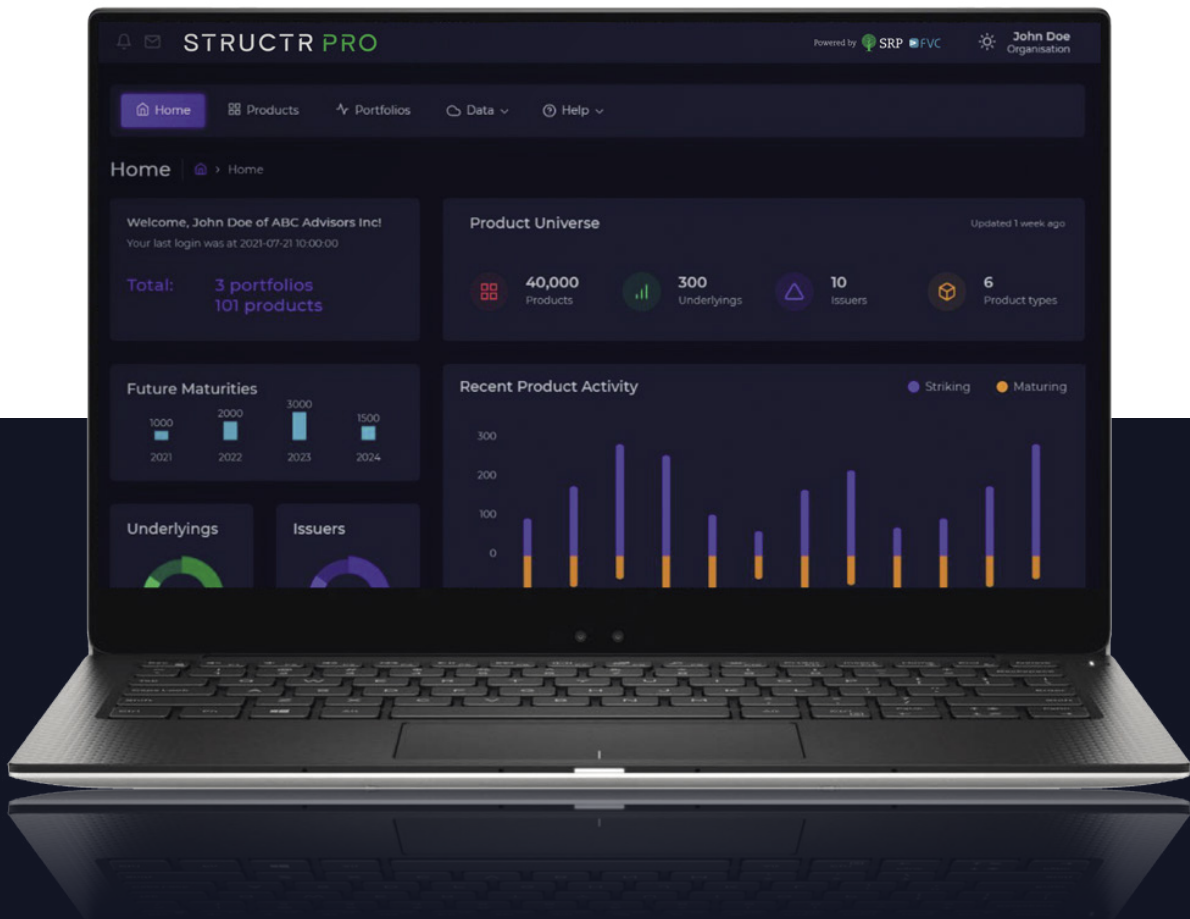
Swissquote joins Leonteq's MIP

Leonteq has announced the addition of Swissquote to its multi-issuer platform (MIP). At the beginning of 2022, Leonteq and Swissquote announced their cooperation in structured investment products. As part of the cooperation, Swissquote acts as the issuer of structured investment products, while Leonteq provides services along the value chain.

Under the agreement, Swissquote is responsible for the distribution of its products to its own client base, including public distribution in Switzerland. After completion of a first phase of development and implementation, Swissquote's products are now available for Leonteq's clients on Leonteq's structured products platform LynQs. The new product offering by Swissquote focuses initially on yield enhancement payoffs and includes a range of underlyings including underlying strategies wrapped as actively managed certificates (AMCs) and all major currencies. Swissquote's products are available for distribution in more than 30 markets across Emea and select Apac countries for private placements.

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Barclays hit by US\$600m structured note loss

The shares of the UK bank fell 3.7% by mid-morning in London on 28 March after announcing its earnings will be impacted due to having issued too many structured notes in the US market.



Barclays has announced (28 March) it expects a £450 million (US\$591 million) loss and will delay a share buyback after mistakenly issuing US\$15 billion worth of structured notes and exchange-traded notes (ETNs) above the volume it had registered for sale under its BBPLC US Shelf.

The bank issued about US\$36 billion of investment products after registering with US regulators in August 2019 to sell up to US\$20.8 billion. The over-issuance error will require the firm to repurchase the affected securities under a so-called rescission offer at their original price.

'BBPLC has determined that the securities offered and sold under its US shelf registration statement during a period of approximately one year exceeded the registered amount giving rise to a right of rescission among certain purchasers of affected securities requiring BBPLC to repurchase the Affected Securities at their original purchase price,' according to a statement released by the bank.

In addition to the rescission losses (net of tax) Barclays expects its Common Equity Tier 1 (CET1) ratio and its consolidated subsidiaries to be in the middle of the 13-14% target range by the end of March 2022, which reflects approximately 14 bps reduction from the estimated loss and a further 15 bps reduction due to an increase in risk weighted assets in respect of short-term hedging arrangements designed to manage the risks to Barclays arising out of the rescission offer.

The equivalent impact on Barclays Bank's consolidated CET1 ratio as of 31 March 2022 is expected to be a reduction of 23 bps in respect of the estimated loss and 23 bps for the hedging impact.

'The above represents Barclays' best estimate at this time of losses which may arise from these matters,' stated the bank, adding that the losses will be reflected in the group's Q122 results.

'Barclays is also assessing the impact of these matters on prior period financial statements of Barclays Bank.'

Due to the current proximity to its closed period, the £1bn share buyback programme announced on 23 February 2022 as part of FY21 results is now expected to commence in Q222 following the publication of the group's Q122 results.

The bank led by Coimbatore Sundararajan Venkatakrishnan (pictured) has commissioned an independent review of the facts and circumstances relating to this matter including the control environment related to such issuances. Separately, according to Barclays, regulatory authorities are conducting inquiries and making requests for information.

'Barclays remains committed to its structured products business in the United States,' stated the bank.

ETN SUSPENSION

The announcement follows the suspension of any new sales from inventory and any issuances of the iPath Pure Beta Crude Oil (OIL) ETNs and the iPath Series B S&P 500 VIX Short-Term Futures (VXX) ETNs.

The UK bank said the suspension was triggered because it does not have sufficient issuance capacity to support further sales from inventory and any further issuances of the ETNs.

Barclays expects to reopen sales and issuances of the ETNs as soon as it can accommodate additional capacity for future issuances.

According to Goldman Sachs, the VXX has options referencing six times its share count, more than twice the ratio of any ETF or stock except the iShares iBoxx \$ High Yield Corporate Bond (HYG) and SPDR S&P Retail ETF (XRT), a junk bond and retailer stocks ETFs respectively.

As reported last week, the UK bank conceded the top spot in the issuer ranking as the largest issuer in US to Goldman Sachs in 2021 despite a 27% increase year-on-year.

Barclays' structured products sales volume in the US market reached US\$12.71 billion while the issuance climbed to 2,549 from 2,070 in 2021.

The UK bank lost its place to Goldman Sachs which issued 3,569 structured products sold at US\$12.87 billion taking the top on the SRP league table and Morgan Stanley, which collected US\$12.85 billion in 2021.

US watchdog reminds industry of regulatory obligations

Finra has launched a consultation related to the sale of complex products and options in light of continued concerns and increased activity.



The US Financial and Regulatory Agency (Finra) is seeking feedback on effective practices that members have developed for managing the risks of complex products and options as data shows that 'overall trading in complex products may be on the rise'.

The US regulator remains concerned about the risks these products pose and is seeking feedback from product providers offering complex products and options to self-directed retail investors, to establish 'whether the current regulatory framework is appropriately tailored to address the concerns complex products and options raise'.

According to Finra, the number of accounts trading in complex products and options has increased significantly in recent years.

'As a result, we are again reminding members of their current regulatory obligations, including, as discussed below, the application of Regulation Best Interest (Reg BI) when broker-dealers and their associated persons

make securities recommendations, and recommendations of investment strategies involving securities, to retail customers,' it said.

In addition, the regulator is looking to assess 'effective practices that members have developed' for complex products and options, particularly when retail investors are involved; and whether the current regulatory framework, which was adopted at a time when the majority of individuals accessed financial products through financial professionals, rather than through self-directed platforms, 'is appropriately tailored to address current concerns raised by complex products and options'.

CONCERNS

There is currently no standard definition of a 'complex product' as Finra prefers a flexible term to avoid a static definition that may not address the evolution of financial products and technology. In Regulatory Notice 12-03, FINRA described characteristics that would render a product 'complex'.

The regulator noted that while many complex products serve a role in our financial markets, they also may raise

a number of regulatory and investor protection concerns.

For example, if a product has features or payout structures that would be confusing to retail investors, or if it performs in unexpected ways in various market or economic conditions, investors may not fully understand the attendant risks.

'Moreover, depending on how a complex product is structured, some may have built-in statutory protections while others may not, and this may not be clear to the investor,' stated the regulator.

'Although complex products do not always translate into more investment risk, their complexity may confuse investors who may not adequately understand their features.'

The US Securities & Exchange Commission (SEC) chair Gary Gensler (pictured) has recently suggested that complex products can potentially create system-wide risks by operating in unanticipated ways when markets experience volatility or stress conditions.

'Trading in complex products may also



Financial professionals may engage in recommendations and sales that are not in the best interest of the customer

affect underlying assets. Thus, well-conceived protections in the sale and trading of complex products benefits market integrity in underlying markets,' said Gensler.

Because of these concerns, according to Finra, complex products require careful member scrutiny and supervision.

'If financial professionals do not fully grasp the complex product's features, they may engage in recommendations and sales that are not in the best interest of the customer,' it said.

SANCTIONS

The regulator said that regulatory scrutiny will continue to be enforced and listed recent penalties imposed on market players for failing to reasonably supervise its brokers' recommendations of leveraged, inverse and volatility-linked ETPs, leading to unsuitable recommendations of these products that caused customer losses.

In 2021, Finra ordered J.P. Morgan Securities (JPMS) and two of its ex-brokers to pay US\$19m in damages to an

elderly investor of structured products. According to the regulator, JPMS failed to supervise a broker who recommended that numerous customers liquidate their retirement accounts and invest the proceeds in structured notes and other speculative and illiquid securities.

The regulator also ordered wirehouse Merrill Lynch to pay fines and refunds regarding product supervision sales - Merrill Lynch agreed to pay a US\$450,000 fine in relation to the marketing of third-party exchange-traded notes (ETNs).

The regulator used SRP data and news coverage to assess 'continued record volumes of products launched' in the retail structured products market and noted that defined outcome ETFs, first launched in 2018, have grown to nearly 150 ETFs with almost US\$10 billion in market value, which is significant given their novelty and complexity in a very competitive market.

Structured annuities, often referred to as registered index-linked annuities (Rilas), which also offer certain structured note-

type exposures in an insurance vehicle, have seen rapid growth.

According to Finra, the availability of complex products and options can potentially expand the investment opportunities for retail investors and, if properly understood, offer favourable investment outcomes such as enhancing returns, limiting losses or improving diversification.

However, the regulator will continue to monitor the market to address any regulatory concerns arising when investors trade complex products without understanding their unique characteristics and risks as it takes further steps to address complex products and options and upgrade guidance regarding sales practice concerns; investor-focused alerts to highlight the risks of these products; the adoption of rules with specific requirements for particular complex products and for options; as well as examining members for compliance with SEC and Finra rules.

The deadline for submissions is 9 May 2022.

US annuity sales highest since 2008

Investor demand for products offering a balance of protection and growth dominate in 2021. Increased market volatility and growing inflation drove total US annuity sales to the highest levels since 2008, and the third highest recorded in history, according to results from the Secure Retirement Institute (SRI) US Individual Annuity Sales Survey.

Total annuity sales were US\$254.6 billion in 2021, up 16% from 2020. In the fourth quarter, annuity sales were US\$62.8 billion, seven percent higher than in Q4 2020.

'After 2020, there was significant pent-up demand for investment options that offered a balance of protection and growth,' said Todd Giesing, assistant vice president, SRI Annuity Research. The fourth quarter registered index-linked annuity (Rila) sales, at US\$10.3 billion, 22% higher than prior year. In 2021, Rila sales were US\$38.7 billion, 61% higher than in 2020.

'Rila sales benefited from current economic conditions [...] and broader market offerings as new carriers enter the market,' said Giesing, adding that SRI is forecasting Rila's sales growth to continue in 2022.

Fixed indexed annuity (FIA) sales in Q4 2021 were US\$16.6 billion, an increase of 18% year-on-year. Fee-based FIA sales jumped 55% in the fourth quarter to US\$74.5 million. Total FIA sales rose 15% in 2021, to US\$63.7 billion, representing the highest FIA sales growth in three years. 'Accumulation-focused FIAs drove sales growth in 2021 as investors look for principal protection with greater investment growth to offset rising inflation,' noted Giesing. 'The expected interest rate increases, and continued product innovation will make FIAs more attractive in 2022.'

Together, sales of Rila and FIA products represented 40% of total annuity sales in 2021.

Desjardins: investors are shifting from mutual funds to market-linked GICs

The Canadian bank has seen an increasing demand for structured products since the beginning of the year as investors look for protection in volatile markets.



Desjardins Group made multiple appearances on the best-performing products league tables with guaranteed investment certificates (GICs) and autocallable structures during 2021.

Dominic Laurin (pictured), market-linked product manager within the guaranteed product development and financial modelling department at Desjardins Investments, provides an overview of the bank's activities in 2021, and how the Covid pandemic has shifted investor demand towards sustainable investments.

How would you describe Desjardins' structured product issuance in 2021? Which products were the most popular/wrappers/underlyings etc?

Dominic Laurin: Despite the fact that the beginning of 2021 was difficult for structured products because of the low interest rate environment, the structured products sales increased throughout the year as interest rates rose. Once again, capital guaranteed products were very popular in 2021. Our turnkey solution, the Zenitude Aggressive Guaranteed Investment, has been by far the best-selling product on our structured product shelf. This product which offers a very

good diversification with an underlying basket of 50 stocks, including exposure to the emerging market, has a high satisfaction rate.

The Electric transportation MLGIC, which uses a rainbow payoff was also a very popular product this year. This product has offered the return potential of 20 companies from various economic sectors and regions of the world that should benefit from the electrification of transportation. Many countries are

which is composed of more tactical or thematic market opportunities. With inflation at its highest level in 40 years in the US, we have decided to launch a two-year product that will offer the potential return of companies from several economic sectors and regions of the world that should benefit from the anticipated inflationary context. This capital guaranteed product will provide exposure to the healthcare, financial and material sectors. This product was available for sales on 22 March 2022.

With the ongoing war in Ukraine, several countries could be inclined to accelerate their shift towards renewable energies. For this reason, I think that ESG products and specially 'environment' products could be interesting for our clients in the next few years. Desjardins is proud to have the widest range of ESG products for its MCLGI line of products in Canada.

Are you issuing more guaranteed investment certificates? What do investors prefer?

Dominic Laurin: Since the beginning of the year, we noted a shift from mutual funds to market-linked GICs from investors who were less comfortable with market volatility. As interest rates increase, the rates offered by our structured products are becoming more and more advantageous compared to the rates offered on our standard GICs.

What themes are gaining more popularity?

Dominic Laurin: Since the beginning of the pandemic, our clients thinking has changed, it has evolved towards more responsible investment. At Desjardins, we have noticed a strong growth in ESG structured sales in the last months. This growth seems to be directly linked to

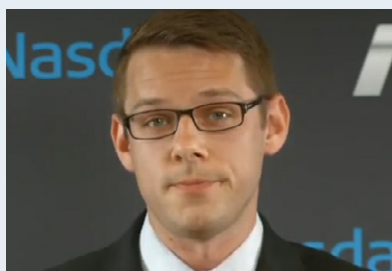
“
Since the beginning of the pandemic, our clients thinking has changed' or 'the pandemic has changed our clients' thinking'

stepping up their policies for reducing CO2 emissions and for zero emission vehicles (some countries have announced bans on the sale of conventional cars in the next few years) and the fact that the cost of batteries has continued to decrease favours the electrification of transportation.

What trends do you expect in 2022?

Dominic Laurin: Desjardins has an opportunity Series for its MLGICs offer

Salt Financial, Nasdaq launch target vol underlyings for annuities



Salt Financial and Nasdaq have teamed up to launch the Nasdaq-100 5% Target Volatility Index to provide exposure to components of the Nasdaq-100 Index for their fixed indexed annuities 'in a format that aims for stability in volatile markets'.

The index was created using Salt Financial's proprietary truVol Risk Control Engine (RCE) and is the first in a projected series of new products Nasdaq and Salt Financial will develop tailored for the insurance carriers.

The suite of indexes to be developed by Nasdaq and Salt Financial will provide insurance companies with new volatility-controlled strategies leveraging popular Nasdaq indexes and powered by Salt's next-generation risk control mechanism, according to Cameron Lilja (pictured), vice president, global head of index product at Nasdaq.

The truVol Risk Control Engine (RCE) is a powerful, patent-pending risk management toolkit designed to target volatility in risk-controlled index strategies. The use of historical intraday data in truVol can help increase targeting accuracy and responsiveness, aiming to improve product participation rates and outcomes for annuity investors.

the launch of the Responsible Option Aggressive Guaranteed portfolio. This new product, such as the Zenitude Aggressive Guaranteed portfolio, is also a turnkey solution that brings together more than 50 different companies from various economic sectors all over the world. All stocks have been carefully selected for their ESG commitments. As mentioned, the underlying basket is comprised of 50 different stocks, more specifically:

20 stocks from the PriorityTerra basket weighted at 40% of the portfolio - The Priority Terra is linked to the growth of 20 international companies that have been carefully selected for their commitment to the environment and the initiatives they have implemented to reduce the environmental impact of their operations at the time of selection

20 stocks from the Diversity basket weighted at 40% of the portfolio - The Diversity basket is linked to the growth of 20 international companies that have been carefully chosen based on the level of gender equality in their board

of directors and the fact that they had an internal diversity policy at the time of selection. 10 stocks from the Sustainable Water Management basket weighted at 20% of the portfolio - The Sustainable Water Management basket is linked to the growth of 10 large corporations that provide the infrastructure, technology, equipment and materials needed to efficiently and sustainably develop our water resources.

SRP data shows that Desjardins issued a high volume of products tied to the pharmaceuticals sector. Do you see this trend continuing?

Dominic Laurin: This volume comes probably from our Opportunity Guaranteed Investment – Health Care that we had launched at the beginning of the pandemic. This product was perfect to benefit from the return potential of well-known companies operating in the healthcare sector around the world. This product had been very popular in our network. Once again, this product was in our Opportunity series which tends to offer more tactical products.

Halo onboards new product providers

Indexed annuities provider Pacific Life has joined Halo Investing digital annuities platform.

Pacific Life will offer its annuities lineup on Halo, joining AIG Life & Retirement, Great American Life Insurance Company, Jackson Life Insurance, among others. In addition to providing access to a range of indexed annuities from different providers, Halo has an outsourced insurance desk that can serve as the licensed agent of record for advisors.

'By combining advanced technology with human expertise, Halo's annuities marketplace gives Pacific Life a strong, independent distribution channel to grow our relationships with financial advisors,' Jeremy Couch, director of advisory

integration services, Retirement Solutions, at Pacific Life.

The US multi-dealer platform has- also announced a license agreement with DelphX to develop and launch the DelphX structured products platform.

Under the licensing agreement, Halo will construct an automated platform for DelphX that will allow both buy-side firms and dealers to negotiate and trade the DelphX-issued Collateralised Put Options (CPOs) and Collateralised Reference Notes (CRNs).

DelphX's CPO/CRN products are structured as private placement securities targeted at managers who cannot utilise traditional derivatives or swaps.

BBVA joins MIP platforms in US push

The Spanish bank sees digitalisation as a key element to distribute structured products, grow its global footprint and respond to client demand.



Following the recent partnership between BBVA and Luma in the US market announced in mid-March, SRP spoke to Daniel Hernandez (pictured), head of e-connectivity sales at BBVA, about the Spanish bank's strategy around automation and how technology is helping to grow its structured products business

"We have a dedicated business for structured products that focuses on digital distribution as a key enabler of growth and all the different distribution channels that our clients are using are key targets for our growth," said Hernandez. "The agreement with Luma is part of our strategy to partner up with as many of the different entities that are facilitating the expansion of the structured products market."

Over the last two years, BBVA has seen a massive growth in its structured products market activities.

"We have invested in resources to establish ourselves in the three main time zones, and integrated with all the different platforms covering the structured products market," said Hernandez. "Digitalisation is key to be able to distribute structured

products and we have aligned our business to cater for client demand."

How are platforms helping to grow the structured products market?

Daniel Hernandez: Multi-issuer platforms are very important for the distribution side of the market, and that is one of the main reasons they exist. Platforms have changed the traditional distribution set up, and improved processes and speed to market. Five years ago, going digital was a decision issuers and distributors had to make. This is no longer a choice. Everybody has gone digital one way or another because they know that they cannot continue doing their business the old way. Platforms have become a facilitator and catalyst for change.

We are doing the same things we were doing before digitalisation, but we are doing them differently. We are still trading, for example, Phoenix structures on worst off underlyings just like we did 17 years ago, but now we do it in seconds. Previously, executing just one trade would take several days, whereas now we can trade hundreds of structures.

This is happening because of platforms but it involves the whole ecosystem - manufacturers, technology vendors, exchanges and regulators.

Additionally, the structured products industry knows that data is an asset which can be mined to make better decisions and platforms have evolved to provide advisors with alerts and life cycle management tools. Technology is helping to provide better, faster and more reliable services to our clients.

Is technology acting as a differentiator between different product providers?

Daniel Hernandez: The shift towards digitalisation has allowed BBVA to become

a global player in the structured products industry. This is because we have invested both in the full value chain as well as on pre-trade pricing. This has enabled us to have the ability to distribute in different regions, automate documentation, and provide post-trade services.

On the other hand, technology has helped us to carve out areas of expertise like our credit franchise as well as diversify the catalogue of products we offer. We are not just an equity house, to our knowledge, we are the only bank pricing for automated CLNs and credit tranches over digital means in bulk. This diversification is paying off now that equity markets have gone volatile. Investing in technology has been key to be considered a key player globally and offer niche products to our client base.

What tools and functionalities are driving demand and activity?

Daniel Hernandez: The structured products market is a global market, but it has a regional flavour. Clients from different regions have different demands and needs. Education and lifecycle management are key in the Americas, but price discovery remains an important aspect in private banking hubs such as Switzerland, Miami or Latin America. In Asia, the focus is on execution and the ability to handle the secondary market through digital means.

That is why it is important for players targeting the three regions to invest in the whole value chain – you may not deploy all the tools across regions but you can tailor your offering and respond to the needs of clients in every region or market. Some markets want to have a fully digital cross asset set up, and others want only equity. Some clients are focused on post-trade lifecycle and others require fast pre-trade pricing. It depends if you are a regional player or if you are centred on specific markets.

Our goal is to be a global bank, so we had to invest and digitalise the different parts of the value chain.

How is BBVA leveraging technology to have an edge over other product manufacturers?

Daniel Hernandez: I would say our ability to offer price discovery on credit structures via automated digital channels. This has given BBVA an edge at a time when the equity markets are uncertain and product providers are looking to expand their offering with alternative asset classes. The decision to go cross-asset has played on our hands and has opened new opportunities.

I would also highlight our ability to create on the fly educational materials and videos that explain the actual characteristics of the investment for every single quote. This is something no one else does today. This kind of added value is extremely appreciated by our

distribution partners as their commercial teams have internal compliance and legal requirements.

Distributors appreciate our efforts to educate the end customer and ensure that the word exotic, doesn't actually become something that people fear, but something that is appealing to them, and can help them to play the market and generate returns.

At the end of the day, you need to add value to your clients and fill the gaps so that you become a relevant player in areas that lack coverage.

There's been talk of consolidation in the multi-issuer platform space for some time. Do you expect this to happen any time soon?

Daniel Hernandez: It is true that the number of digital structured products platform players has blossomed but so has the number of end customers, asset

managers, banks and private banks which have started to use structured products or realised that they need digitalisation to be competitive in this market.

Banks like BBVA can only benefit from this trend due to our clear investment in digitalisation as we are clearly aligned with their purpose but, since manufactures like us are offering better product and there is more and more client demand I then do not necessarily expect consolidation amongst platform providers.

We have expected some consolidation for years and it has not happened - as the market widens platforms are very agile to reach and capture new pockets of business. Similarly, I also struggle to see that any one or two of the platforms out there is going to be able to become the dominant global force (as it happened years ago in Asia). We believe that in the same way that there is a broad number of manufacturers there will also be a broad number of platform providers.

... expands QIS offer to South America



BBVA is making available its Quantitative Investment Strategies (QIS) product line to investors in South America,

The team focused on the design, manufacture and distribution of investment strategies via custom proprietary indices have started to offer strategies into local investment products in Peru with Colombia and Chile to follow later this year.

BBVA's QIS range is already available in Europe, the United States and Mexico. The offering in Perú will consist of a range of thematic indexes covering several investment trends such as ESG, next-generation networks, cybersecurity, health and wellness, and resource scarcity.

BBVA plans to expand that range throughout 2022 by incorporating other thematic investment strategies and asset classes to match all customer profiles with 'suitable investment solutions'.

'Through these strategies, clients may invest directly in the indexes or indirectly through investment vehicles in which they are included, said Javier Enrile (pictured), global head of QIS sales at BBVA, adding that all the indexes created by BBVA will be integrated into the standard product range, 'allowing customers to invest in them in the format that best suits their needs, whether they are warrants, structured notes, deposits, ETFs, mutual funds or by directly arranging a derivative on them'.

SRP data shows that the Spanish bank has marketed more than 50 publicly offered structures in the Mexican market tracking three of its QIS strategies including the Solactive BBVA iESG Lideres Globales MXN Risk Control 10% index (39 products/US\$111.2m), Solactive BBVA Next Generation Networks MXN Risk Control 10% Index (seven products/US\$43.6m), and Solactive BBVA Health & Wellness SIC MXN Hedged Risk Control 10% Index (seven products/US\$8.9m).

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Indonesia exchange unveils rules on structured warrants

The Indonesia Stock Exchange (IDX) has published new rules on the listing, trading and liquidity providing of structured warrants and has targeted Q3 22 for the debut launch.



The new products will 'increase investment alternatives for investors in the Indonesian capital market' and 'will increase the level of transaction liquidity and market deepening,' according to the bourse.

Effective from 11 April, the new guidelines comprise Rule Number I-P concerning listing of structured warrants, Rule II-P concerning trading of structured warrants and Rule III-P concerning liquidity provider requirements of structured warrants on the IDX.

'Structured warrants will be an investment product that can be utilised by investors to get investment returns from the movement of stock prices of the IDX30 Index constituents with relatively smaller capital compared to buying the shares,' said Hasan Fawzi, business development director at IDX. 'Investors can purchase structured warrants in the primary market such as during the public offering of shares as well as in the secondary market.'

Launched in 2012, the IDX30 Index measures the stock price performance of 30 stocks with relatively large market capitalisation, high liquidity and good fundamentals with the LQ45 Index being the universe - the LQ45 index consists of 45 companies that have been included

in the top 60 companies with the highest market capitalisation in the last 12 months. Financials account for nearly half of the weights led by Bank Rakyat Indonesia (Persero) and Bank Central Asia, followed by infrastructures.

'Structured warrants provide more value added to investors compared to ordinary warrants. They're not only issued based on the underlying stock of the IDX30 Index constituents, but are also available in two types, namely call warrants and put warrants,' added Fawzi. 'In addition, they are also required to have a liquidity provider so that investors do not have to worry about selling them before maturity.'

The process of exercising structured warrants at maturity is carried out automatically so that investors can easily receive profits at maturity if they're in the money, according to Fawzi.

'Just like other products traded through the exchange, trading of structured warrants is a safe and transparent transaction because it is transacted in real time, supervised by the IDX and the Financial Services Authorities (OJK),' said Laksono W. Widodo (left), director of trading and membership at IDX. 'The transaction and exercise settlements are guaranteed by PT Kliring Penjaminan Efek Indonesia (KPEI).'

The Indonesia exchange is inviting all exchange members to become issuers of structured warrants as a way to increasing their respective investor base, but also to add product services to customers and obtain alternative income from issuance and transaction activities as well as hedging.

MARKET MAKERS

Liquidity providers will also benefit from the market activity as they can earn

income by providing quotations according to the spread and volume determined by the exchange and to get rebate transaction fees, said the IDX.

Market makers are also allowed to conduct short-selling activities on the underlying securities of structured warrants without having to follow the uptick rule, which would have required short sales to be conducted at a higher price than the previous trade.

On 22 February, the IDX carried out a trade test of a structured warrant with RHB Securities Indonesia linked to the shares of Bank of Central Asia. The call warrant beta product will expire on 24 February 2023, and will be settled in cash with an exercise price of 7,000.

The regulatory move comes after the financial watchdog OJK published a framework (8/POJK.04/2021) on structured warrants in March 2021, which provides a legal basis for the issuance, trading and supervision of listed products.

According to the new rules, the issuance of mandatory structured warrants through a public offering shall meet a minimum value for each series of IDR5,000,000,000 (US\$350,000). Structured warrants must have collaterals kept in collective custody at the depository and settlement institution.

Under the new rules, structured warrant issuers will also be required to fulfil the reporting obligations that cover reports of changes in information in the prospectus and term sheets, issuer's semi-annual and annual financial statements and reports on calculation of adjustments to conversion ratios as well as exercise price in accordance with the adjustment policies that have been determined at the time of the issuance.

Maybank leverages dispersion warrants on Ukraine clash

The largest Malaysian bank by assets has distributed multiple tranches of dispersion warrants for its private clients in Singapore. These 'provide route to markets for investors on the Russian-Ukrainian conflict'.



Having seen great interest in market-neutral strategies, Maybank Singapore first launched the dispersion warrants earlier this year, with a one-year tenor.

"The key to launching a successful dispersion trade is to have a strong investment theme," Alice Tan (pictured), head of private wealth and head of products and investment solutions at Maybank Singapore, told SRP. "We have launched baskets along the lines of energy versus consumer staples and European financials versus European consumers."

"Normally a basket of 10 underlying assets should be sufficient to command attractive pricing," she said without disclosing the traded notional and stock names.

Ideally the underlying basket should not be overly volatile - Alice Tan, Maybank

Both themes have been chosen to provide route to markets for investors on the ongoing Russian-Ukrainian conflict.

"The first theme of energy versus consumer staples was targeted at rising fossil fuel prices while the second theme

of European financial vs European consumers targets the Russian exposure held by European banks," she said, adding that both investment hypotheses theorise price movements of energy or European financials against more stable reference assets including consumer staples or European consumers.

A balance between volatility and correlation is required in structuring a good dispersion basket.

"Ideally the underlying basket should not be overly volatile, [and] has mild historical correlation and the tendency to become less correlational in future due to market forces," she said.

The new launches had been among Maybank Singapore's focus in Q1 2022 as investors can benefit from an uncertain market environment and rising volatility.

"We see opportunities in non-directional play such as dispersion warrants, outperformance notes and shorter-tenor structured products," Tan told SRP back in January.

Starting April 2021, the Malaysian bank has been offering structured investment warrants to its clients in Singapore with an average minimum ticket size of US\$500,000 per tranche. With a regular tenor of no more than three months, these products are issued and hedged by third-party investment banks with the aim of capturing market upside through equity indices, providing hedging through commodities or offering exposure on mutual funds.

VOLATILITY

The past quarter has seen significant volatility in the equity market as both the

Cboe Volatility Index (VIX) and the HSI Volatility Index (VHSI) reached their one-year peak of 36.45 and 33.21 during the first half of March, respectively. These translated to a respective growth of 119.6% and 41.5% from the beginning of the year.

"Many live structures have in-built protective features like deep strike and knock in barriers. If there is a delivery of shares, there will be a suite of participative payoffs, which deliver high flat returns to help clients accelerate their recovery," said Tan about the impact of the increased volatility.

While equity-linked notes are still the cornerstone of the structured products business at Maybank Singapore, current market conditions are extremely supportive of interest-rate linked products.

"Maybank is using this opportunity to increase diversification into an alternative asset class and to build better insulation in the form of sticky assets under management for current and future equity market volatility," she said.

Tan expects the equity markets to remain volatile throughout Q2 2022. Amid the heightened uncertainty, some investors may be prone to sell risk assets. However, the results can be counterproductive for exiting markets in favour of cash against the backdrop of rising inflation and low yields.

"We will continue to emphasise diversification [through] rates and credit-linked structured products, and embed protective features like deep knock-in, glider and best of protection barriers into equity-link structured notes," Tan concluded.

Too early to talk about HSCEI autocall loss

The China-focused index, which is commonly tracked by autocallable notes, is inching closer into short Vega where hedging costs can pile up.



The Hang Seng China Enterprises Index (HSCEI) settled 12.5% higher at 6,889 points today (16 March) after falling to 6,134 points a day before, which represented a 25.1% decline year-to-date or down 38.2% from the 11,144 points year-on-year. The index hit a 10-year low on 15 March before a mild rebound threatening knock-in barriers across the South Korean market and beyond.

SRP registers 5,939 non-flow structured notes tracking the HSCEI or the index-linked ETF with a strike date from 2021 across South Korea (4,651), China (91), Hong Kong SAR (40), Italy (five), France (three) and The Netherlands (one). Among them, 4,694 are autocallable structures often combined with a worst-of option and protected tracker.

“The HSCEI is having a horrible start of the year 2022,” said Eric Barthe (below right), head of financial engineering at Anova Partners and ex-managing director at Leonteq. “The combination of the early regulatory crackdown, new lockdowns in China [triggered by] a Covid resurgence and the risk that the Russia-China ties may impact Chinese economy weighted heavily on the Chinese equity index.”

That performance affects investors who are simply long equity as well as

structured product investors and dealers, according to Barthe.

The impact is more noticeable to Asian investors as the HSCEI has “always been a very popular underlying for autocallable notes” in the region, he said.

In South Korea, there are 4,651 autocallable notes with protected tracker - 4,113 of them are added a worst-of option while 522 of them also come with a digital option. By wrapper, 4,953 are equity-linked securities (DLS) while seven are derivative-linked securities (DLS), SRP data shows.

The total issuance amount reached KRW19.6 trillion (US\$15.8 billion) while the average tenor is two years and eight months. Other than the HSCEI, the most favoured index picks are the S&P 500, Eurostoxx 50, Nikkei 225 and Kospi 200 while Samsung Electronics is tied to 146 products as the top stock choice.

In relation to the worst-of autocallable products, their knock-in barriers, which normally would force investors to participate 1:1 in the worst-performing underlying asset if the barriers are breached at maturity, ranges from -62% to -1% of the initial level with the average of -43%, SRP data shows.

“The volatility market is such a mess now,” an exotics trader of the HSCEI at a Korean securities house, told SRP. “Long-dated implied volatility can’t go lower easily as all the structured books will be short Vega once the spot [nears] the knock-in barriers.”

The knock-in is expected to be widely seen in the market if the HSCEI slides to less than 6,000 points, according to the source.

“This year’s market hasn’t led to the

knock-in of the ELS previously printed in general. It’s just getting closer to the loss,” he said. “Most of the products still have time left till expiry. It seems a bit early to talk about the final performance.”

The current market plunge is more significant than in 2018 in terms of the magnitude of the shock to the structured products books, but remains manageable compared with the March crash back in 2020, said the source. This is mainly because the dip of the HSCEI covers China exposure only and has limited correlation with other major cap-weighted indices.

According to Barthe, the impact is global in-scope as the persistent low interest rates and low implied volatilities have push structured product investors to switch from three picks (the typical combo is the Eurostoxx 50, S&P 500 and Nikkei 225 or the Eurostoxx 50, S&P 500, the Swiss Market Index) for the worst-of basket to as many as six indices, which extends to the HSCEI.

“We can expect the HSCEI to be the worst performer and to drive the performance of all those autocalls now,” he said.

There are 52 continuous leverage warrants or certificates on the HSCEI launched from 2021 in Europe – 39 short and 13 long, according to SRP data. They’re issued by ING Bank, Société Générale Effekten or Morgan Stanley with a concentration in The Netherlands.

The picture is not much shinier for hedge providers, according to Barthe.

“Dealers get long dividends and long repurchase agreement [repo] on the HSCEI. The effects are already observable as the HSCEI 2025 dividend future dropped by 20% from 232 points on 18 February to 185 [points] on 15 March,” he said.

Indosuez deploys ICE margin optimisation for structured products, OTC derivatives

The wealth management arm of Crédit Agricole has adopted intra-day initial margining to increase client activity and as a way to maintain effective risk management.



Indosuez is set to fully adopt the new margin calculation method for its structured products and OTC derivatives this month, which is provided by the Intercontinental Exchange (ICE).

Starting from early 2021, the project is in its final stage of being integrated to Indosuez's S2i system developed by its fintech subsidiary Azqore, and marks ICE's maiden partnership with a wealth manager in margin optimisation.

"Continuous market stress clearly highlighted the need to monitor and manage credit risk exposures on a real-time basis during times of volatility," Xiao Xiao (pictured), Apac head of derivatives and regulation at ICE's fixed income & data services, told SRP.

"While the persistently low interest rate environment at that time continued to drive demand for derivative products, meeting that demand under a simplistic end-of-day credit risk monitoring framework during heightened market volatility posed many challenges."

The standardised grid model, which is commonly deployed at buy-side firms for initial margin calculation and uses fixed haircut as percentage for each asset

class, is "too conservative" compared with the actual benefit from netting and convexity observed in the market stress period, especially for over-the-counter (OTC) derivatives and structured products, according to Xiao.

"To address these issues, intra-day initial margining has been adopted to increase client activity and as a way to maintain effective risk management," she said. "[By] using initial margin based on an Isda standard initial margin model [SIMM]-like approach, a private bank can apply pre-trade risk simulation through real-time data linking up the risk methodology to a specific client and perform post-trade global risk calculations."

An example is that the initial margin amount of a one-year equity accumulator trade with US\$1.5m notional is about 9.3% of the notional through the SIMM method, which is much lower than the 30% of notional typically calculated by the Grid model.

"Supporting Isda SIMM, standardised Grid or a combination at a trade level, the what-if scenarios show respectively the margin amount of the existing portfolio, new trades and the diversification effect by including the new trades as part of the portfolio versus stand-alone, therefore helping the users to achieve margin optimisation," said Xiao.

ANALYTICS

The solution covers derivatives across equity, foreign exchange (FX), fixed income, interest rates, commodity, credit and inflation from cash, vanilla to exotics as well as structured products including equity-linked autocallable notes, FX target redemption, callable interest rate swap as well as the Swiss Structured Products Association (SSPA) Map.

A total of approximately 100 trial trades have been conducted since 2021 in the form of derivatives or structured products, according to Xiao.

Beside the initial margin calculation, the model provides the evaluation of pre-trade margin and diversification impact with Greeks calculation and stress tests as additional functions.

On average it takes approximately eight minutes to calculate the Greeks and price mark-to-market for 2,000 autocallable notes through the risk solution, said Xiao.

In addition, Indosuez's capital markets sales team has access to ICE's derivatives portfolio analytics application, which allows them to analyse holdings at a single security and portfolio level with data and analytics.

For operations, the IPA processes trade lifecycle management capabilities to monitor exercise and expiry of options. It can also generate payment reports to monitor cash flows while auditing trail reports to track actions.

Built in the ICE portfolio analytics (IPA), which has a customisable blotter enabling users to focus on their relevant books, portfolios or positions, the full set of risk management solutions are delivered to multiple entities of Indosuez in Asia Pacific (Apac) and Europe, the Middle East and Africa (Emea).

As each entity of Indosuez has strict firewalls and is not supposed to have visibility of other's positions, additional API functions are deployed to compartmentalise their positions while meeting the compliance. Additionally, the US exchange and risk analytics provider has offered margin limits monitoring and regulatory region identifier for the French client.

Listed products: riding the innovation wave

The steady rise of listed products over the course of the last decade has attracted the interest of an increasingly large investment audience.



Financial products and service providers and growing numbers of institutional and retail investors are using different listed wrappers to take advantage of their tradability, overall transparency, and low ownership cost. Depending on the jurisdiction, listed products may also benefit from tax advantages.

Exchange-traded funds (ETFs) have been the main driver of activity and volumes within the broader exchange-traded product (ETP) universe as measured by flows, but the listed structured products market - known as the flow & leverage market, has spurred a wave of slice and dice innovation triggering significant underlying asset growth. Investors now have an ever-increasing choice of exposures to accommodate virtually all types of desired allocations in their investment portfolios via structured warrants, daily leverage and turbo certificates, as well as callable bull/bear contracts (CBBC) or leveraged/inverse notes.

Over the course of the last decade, ETPs have witnessed a spectacular growth, breaching US\$7 trillion in assets under management (AuM) at the end of 2020. Research firm ETFIGI reported recently that ETFs and ETPs listed globally gathered

a record US\$1.14 trillion in net inflows in the first eleven months of 2021

Of these, approximately 97% were invested in ETFs.

LISTED CERTIFICATES – TRACKERS, LEVERAGE AND AMCS

In Europe, according to the European Structured Investment Products Association (Eusipa), the turnover in investment and leverage products on reporting European financial markets reached €35 billion in Q3 2021.

This represents a two percent drop quarter-on-quarter (QoQ) but a five percent rise year-on-year (YoY). For investment products on European trading venues, the turnover amounted to €13 billion in Q3, translating to 37% of total traded volume - a 20% decrease QoQ, or a 40% increase YoY.

In the meantime, the turnover in leverage products (warrants, knock-out warrants, and constant leverage certificates) came to €22 billion in Q3 21, forming 63% of total turnover. In addition, the turnover in leverage products climbed 13% QoQ, or fell nine percent YoY.



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Leverage instruments drove high levels of trading activity and volumes in 2020

Didier Imbert, head of public distribution Europe at **Société Générale**



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We saw an increase of new clients supported by low cost fintech brokers in 2021

Heiko Geiger, head of listed products at **Vontobel**

SRP data shows that there are more than 13 million flow products listed globally. Since 2015, when the outstanding on these products was US\$931m across 2,425 products, the listed products market has seen a huge increase in activity as issuers shifted their attention towards the flow part of the structured products business.

Today the outstanding volume of continuous products which includes leverage and flow products stands at US\$1.04 billion.

“From a market perspective, 2020 was already an exceptional year due to the volatility and increased interest from end clients to invest in stocks and ETFs, but also into listed products - leverage instruments in particular drove high levels of trading activity and volumes in 2020,” said Didier Imbert, head of public distribution Europe, Société Générale.

“These trends continued in 2021 with market turnover volumes increasing by more than 60% versus 2019, and an eightfold increase in the number of trades executed by SG with self-directed retail investors throughout the year since 2019.”

The market landscape in the listed structured products market has also evolved with an increase in the number of competitive outfits active in the market over the last two years through the entrance of new issuers in various European countries and the market launch of low cost fintech brokers, according to Heiko Geiger, head of listed products at Vontobel, one of the oldest providers of these products in Europe.

Some of the new kids in the block include SG which has expanded its footprint in the continent following the acquisition of Commerzbank's EMC business, but also BNP Paribas, and a number of US banks including Citi, Morgan Stanley and

Goldman Sachs, which have established themselves as top providers in some of the biggest European listed markets.

“2021 was a very good year for structured products – both leverage and investment products,” said Geiger. “We saw an increase of new clients – also supported by low cost fintech brokers – with decent transactions. Growth came from strong demand in Germany, Italy and Sweden.”

SRP data shows that the largest structured products listed market by outstanding are Germany, Switzerland and France.

The biggest players in this space include Vontobel, UBS, Goldman Sachs, BNP Paribas and Société Générale.

The competition is strong and healthy with a mix of historical leverage ETP issuers like BNP Paribas who are serving the market since more than 20 years and periodically new entrants, according to Benoit Roquant, global head of exchange traded solutions, at BNP Paribas.

“We observe that historical players offer the widest range of products, including typically both leverage and investment products, on numerous market places with dedicated sales and marketing teams in each country, in comparison with newer entrants who are focusing on part of the product range only with smaller, more centralized teams,” he says. “All players are profiting from the surge in retail investing since the Covid crisis.”

The shift towards digitalisation is making the access to these products easier and cheaper which means the retail markets continue to expand driven by the brokers and online banks.

“Trading apps have facilitated the usage and increased the adoption of new instruments by investors and some trading communities focused on single stocks are now looking at



“ Through this digital tool, the client is defining the precise composition of his basket which can include stocks

Geoffrey Rodrigue, global head of EQD business transformation at **BNP Paribas**

commodities and other instruments that are listed and easy to trade,” says Imbert.

According to Imbert, listed products are well positioned to grow and appeal to investors as those trends will persist and more clients with brokerage accounts trading stocks and ETF will expand their catalogue of products as they open up to new instruments.

“That will help the growth of our business,” says Imbert. “Younger generations have access to tools and education, so we will continue helping them and providing them with appropriate education materials, videos, webinars, so that they can improve their knowledge of those products and fully understand the risks involved in such investments.”

AREAS OF GROWTH, INNOVATION

Actively managed certificates (AMCs) is also an area of growth and innovation in the listed space. Most of the activity comes from Switzerland where there are more than 1,000 AMCs listed on the SIX exchange, but there are other markets where AMCs are driving some activity such as Germany, Luxembourg and Singapore.

“We have a huge portfolio of AMCs,” says Geiger. “This type of structured products experienced big demand in 2021 and I expect further growth in 2022. It enables clients to a cost-efficient and transparent way to invest in various investment strategies.”

Some of the most recent additions to Vontobel’s catalogue

include AMCs linked to proprietary strategies like the China New Vision Index and Inflation Influenced Index.

According to Geiger, the bank also saw “an increase in demand for trackers on Carbon Future trading and US tech stocks, while leverage products on crypto currencies were highly demanded”.

“I suppose we are going to see more trend and thematic products but also a revival of yield enhancement products,” he says. “This will help investors help to manage a more volatile market environment.”

In the area of AMCs, BNP Paribas has leveraged the capabilities of its Smart Derivatives platform to give its clients the possibility to create and reshuffle their own AMC baskets.

Through this digital tool, the client is defining the precise composition of his basket which can include stocks, usual equity indices or QIS indices but will soon also include various asset types like bonds and structured products,” says Geoffrey Rodrigue, global head of EQD business transformation

The client has also the possibility to launch a series of analytics on his AMC basket to apply some sector or risk factor scan in order to better understand his market exposure implied by its composition.”

The French bank wants to give clients full access to the valuation of AMC certificates and the possibility to trade those certificates via Smart Derivatives in the secondary market.

SRP Europe 2022: putting a label on ESG



ESG continues to be at the top of the industry's agenda as issuers and distributors seek clarity around the new EU Taxonomy Regulation.



The need for ESG labels, the creation of a functional framework and the need to avoid greenwashing are some of the priorities the structured products market must address to create gold standards for sustainable investing, according to panellists discussing ESG at the SRP Europe 2022 Conference held on 24 March.

In the asset management industry, most people still identify traditional funds as the instrument carrying ESG quality but this has changed over the past few years, according to Thomas Wulf, secretary general at the European Structured Investment Products Association (Eusipa).

"The underlying indices that were developed meant to capture a specific ESG exposure when looking at the components. The index manufacturing industry basically drove our industry towards ESG products," said Wulf.

The problem is that the market has come to a situation where there is no clear rule set for what could be called sustainable.

"We see something that could be expected at least in the European Union as the legislators say we will have to set a framework for ESG products in general," said Wulf. "What happened afterwards, however, is an avalanche of regulations, which are tweaked towards funds in a way."

"The increasing regulations on ESG investing can lead to issues, notably as several interpretation between market players can exist," according to Florent Vincent, ESG risk manager & regulatory expert at Société Générale CIB.

Indeed, regulations aren't clear yet in terms of ESG product labelling, especially for structured products.

"Some of our distributors are asking questions about the



“ The increasing regulations on ESG investing can lead to issues, notably as several interpretation between market players can exist

Florent Vincent, ESG risk manager & regulatory expert at **Société Générale CIB**

ESG categorisation of our product offering; and at the end, we want to give a good level of information to final investors,” he said. “We tried to build a common standard that can be a “compass” for the French market, via an initiative with many French Banks.”

“To increase the knowledge of distributors in terms of ESG product features, discussions between manufacturers and distributors will be crucial” he said, adding that the European market should definitely use the standardized European ESG Template (EET) to exchange ESG regulatory information at the product level.

ESG investing will remain a theme to stay but is also a trend that is continuously changing which means the components of structured products, which are tagged as sustainable or ESG, such as the derivatives, non-derivatives and the funding part, and can make a difference at the point of sale must be clearly disclosed.

“Quantifying the taxonomy alignment of a structured product is not straight-forward. We’re still discussing how we should best do this when it comes to the funding component as well as the derivative component.” Vincent said.

Mouha Ait El Ghachi, head of retail structuring France and deputy head of global structuring at Amundi, noted that the critical elements of ESG such as the use of proceeds, the derivatives or even hedging have to be disclosed and understood by investors.

In addition, investors may ask how the contribution of the derivatives in the ESG score or the final product is calculated.

From an index provider’s perspective, the structured product market has generated huge demand for climate indices, according to Stephanie Rowton, director, ESG Indices at S&P Dow Jones Indices, citing the recently launched S&P Paris-aligned climate transition indices.

“[Those indices] had been so popular that we launched them specifically for the structured product market last November,” she said. “When I looked at the data of all the structured products linked to ESG indices, we found that about 50% of them are market cap indices.”

Another ESG trend is the increasing use of thematic indices, such as low-carbon or water-focused indices. Investors want to align their portfolios to specific opportunities in the market as the world is transitioning towards a green economy.

“Low carbon indices were really popular last year as investors wanted to capture the exposure of carbon price while energy companies wanted to lock in that future delivery,” said Rowton. “[There is also] a growing use of decrement indices in Europe, particularly in the ESG sphere, which’re commonly used as standard off-the-shelf methodologies.”

The demand for the ‘social’ element is also increasing, particularly around gender diversity-focused indices.

“Post-Covid 19, investors realize that human resilience is a huge financial risk, so we’re seeing demand with things like human capital management. As data progresses, I think there will be much more demand from retail investors going forward,” Rowton said.

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SRP Europe 2022: Solutions for pension and insurance investors

The Priips saga, with its sector heroes, regulatory disputes, implementation frustrations and (even) parliamentary uprisings, has finally come full circle.



As state pension systems struggle to meet the needs of retirement investors structured products are seen as a viable alternative. Structured investments and solutions featuring structured products are providing ‘fresh opportunities’ to traditional pension and insurance providers as traditional products are failing to deliver, according to panellists at the SRP Europe 2022 Conference held on 24 March, in London.

The panel discussion kicked off with slides prepared by moderator Walter Cegarra, CEO of FNZ Q-Hub showing that the ratio of working contributors or pensioners has continuously declined to around 1.7 in 2018 over the past 15 years in France.

“This is a system that’s going to become less and less sustainable. Therefore, there is a need to go towards more private based solutions,” said Cegarra, adding that there’s decreasing reliance on government sponsored pensions in Italy.

Meanwhile, people are still relying heavily on the general account type solution offered by insurance companies, according to Cegarra - data 2020 from French Insurance shows that general account represents 31% of the solutions followed by securities and liquidity.

The need for insurance companies to diversify the portfolios beyond traditional assets has led to a growing momentum for private solutions over the last few years, said Romain Sellem, director and structured solutions, global equities at Bank of America Merrill Lynch. The most important change is the substitution rate from the accumulation position to retirement and people have started to understand that they need to fill this gap with private solutions, according to Vincenzo Pinto, head of individual saving solutions at Generali.

“Investors remain focused on traditional solutions due to the demography although insurance companies are in the middle of this new environment,” he said. “We’re starting to see some

traction in the European space, which may take some time and should be regulatory driven in my view.”

The markets vary in Europe. For example, the amount of tax rates that people get when saving for their pension is quite substantial, which is almost opposite in Spain.

“It will be very helpful to see a European push towards a common playground,” said Pinto.

“The problem is to be able to activate all those savings, which tend to stay on cash accounts or on government bonds and long-term investment to integrate pensions in the new environment age.”

With the arrival of Covid 19, the market has turned to a higher baseline level of volatility, which acts as a “real reminder” of the value of capital-protected products, according to Adam Whitefield, director and head of fund solutions Emea, equities structuring at Barclays Investment Bank.

“We work with the providers, the real focus continues to be on avoiding cash lock,” he said. “The product selection in general has performed pretty well because most of them have incorporated in recent times built in volatility adjustments, through volatility control or risk control.”

With rising interest rates, the UK bank has become “slightly less conservative” in its structuring for the impact of negative rates, which became “quite a headache for over the three years”, according to Whitefield.

Philipp Schenk, senior structurer at Munich Re Markets noted that any product design that involves general accounts deserves careful review as insurance companies need to figure out how to rebalance in and out.

In Germany, insurance companies have “very long big investments” and are designing interesting products, more illiquid investments to generate the yield. However, the investments will be adding cash flows to the general account where the longevity of these assets is “very short” if the firms don’t come up with new alternatives.

“We’ve seen the 10-year rates being negative until very recently, so this obviously is a negative drag that we need to be really cognizant about if we want to think about these long-term savings and pension prices we’re designing,” said Schenk.

French general accounts for investors have decreased more sharply than the general accounts in Germany since 2010, reaching nearly 1.0% at a similar level in 2021. In the meantime, the current govies (government bonds) minus current general account for insurance companies has been falling since 2012, which amounted to over -1.0% in 2021 in both France and Germany.

The current push towards ESG and sustainable investing in Germany has attracted a number of clients asking to incorporate ESG to retirement products, but that can be problematic due to the lack of clear regulation, according to Schenk.

“There’s a lot more passive investments or index-linked products, which are driven by the low cost,” he said.

At Bank of America Merrill Lynch, advisors are actively providing an ESG angle for investment products and business advice, which is a process of compounding, according to Sallem.

“It’s time for investors to appreciate this kind of investment,” he said. “The increasing use of ESG and decrement underlyings can provide an alternative to incentivise long term savings.”



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People are still relying heavily on the general account type solution offered by insurance companies

Walter Cegarra, CEO, FNZ Q-Hub

Sygnum: providing an institutional experience

Sygnum, a regulated digital asset bank, founded in Switzerland and Singapore, started in 2017 with the idea of providing a secure, agile infrastructure and operations for investors to invest in digital assets with complete trust.



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Our banking infrastructure was built from the ground up

The bank offers a full range of regulated digital asset banking services across fiat and cryptocurrencies for professional and private qualified investors. This includes crypto trading, custody, staking, lending and asset token issuance with our token marketplace.

Today it employs almost 200 people although its entrepreneurial start-up roots remain, especially as its services and products continue to challenge the idea of what crypto assets can do and complement the domain of traditional finance.

In part one of a two-part article, Katalin Tischhauser (pictured), head of discretionary solutions and investment research, Sygnum Asset Management, talked to SRP about the bank's strategic mission, its highlights in 2021, and the challenges with exchange-traded products (ETPs).

“I work on our growing range of asset management products,” said Tischhauser. “Our goal is to provide the institutional

experience and products that you expect from a bank in both traditional and alternative asset classes plus the depth of research, expertise and relationships that you find in the digital asset investing ecosystem.”

Sygnum's strategic mission is to realise Future Finance; a future where everyone can invest in digital assets with complete trust.

“Our banking infrastructure was built from the ground up to offer institutional-grade security and is the platform for our fast-growing integrated portfolio of services.

“These range from our convenient fiat-digital asset gateway, segregated accounts with multi-level security, to our full range of banking services including 24/7 trading, staking to generate yield, Lombard loans as well as the corporate finance-side of crypto assets,” said Tischhauser.

According to Tischhauser, key highlights in 2021 included the

performance, growth and Sygnum's growing range of funds, which include both a venture equity fund, a DeFi investment vehicle and a cryptocurrency fund-of-funds.

"In 2021, our multi-manager fund-of-funds product performed extraordinarily well. It outperformed the market and its benchmark by several hundred percent.

"Another highlight is the growth of our Assets under Management for this fund to over CHF100m, and our first two products combined reached over CHF 200m since we started in 2017. This is part of Sygnum's more than CHF 2 billion assets under administration. These are significant milestones, because at this threshold, the product is considered institutional," said Tischhauser.

Sygnum has also been broadening its product range and its DeFi+ Core investment strategy, an actively managed certificate (AMC) for exposure to decentralised finance, was one of the first in a range of half a dozen additional products that it is launching.

"These products fit together like pieces of a mosaic, addressing different sectors and segments of the market. They will allow investors to define what part of the market they want to be exposed to. Our research publishing for clients gives background on the product sectors, which has expanded to include investment research as our team grows," said Tischhauser.

AMCS, ETPS, AND ETFs

Katalin Tischhauser: We look at what is most in demand and what structure is convenient, versus the cost and overhead that is involved in creating the product. Fund products, for example, are very expensive, and as they do not always have significant liquidity, they are not always useful for investors. Depending on the fund jurisdiction, regulation sometimes mandates a high minimum investment. This can further restrict the liquidity.

The alternatives that offer benefits in this area include AMCs and exchange-traded products (ETPs). In general, AMCs are interesting because they can enable access to a more diverse range of crypto assets, and they can offer more liquidity than a typical hedge fund does. An AMC can offer daily liquidity with more convenience than a fund.

ETPs, which are like an exchange-traded fund (ETF) in Switzerland, are legally classed as fixed income instruments. ETPs behave like an ETF, as they trade in real time on an exchange, but this brings distinct requirements, such as a need for real-time liquidity, for example.

SIX SWISS EXCHANGE

Katalin Tischhauser: One challenge with ETPs in crypto assets are the underlying instruments that a given exchange, such as the SIX Swiss Exchange, may allow. Often the list of cryptocurrencies is rather short. The Sygnum ETP gives exposure to the largest blockchain tokens and cryptocurrencies.

Looking at other market segments, like decentralised finance, often smaller crypto tokens are not included by major exchanges, and as a result, our alternative investment structures let investors access these segments securely and conveniently.

Switzerland is a strong participant with advanced regulation and market participation that leads in Europe and many other markets around the world. A good example of this is the Swiss DLT law whose first provisions came into force in February 2021. Like Sygnum, SIX is also a leader in Switzerland and internationally, being the first traditional finance exchange to offer cryptocurrencies, operating within the broader Swiss regulatory frameworks.

Other markets limit the access still, such the US, where ETFs have been allowed for the first time based only on Bitcoin futures – offering investors indirect exposure to the underlying crypto asset.

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Our goal is to provide the institutional experience and products that you expect from a bank in both traditional and alternative asset classes

Growth sectors for crypto products

Sygnum has been broadening its product range

A part from the Sygnum Digital Asset Multi-Manager Fund, an alpha-oriented digital assets fund-of-funds, and Sygnum Platform Winners Index ETP, a 100% physically backed, fully collateralised exchange-traded product with beta exposure to foundational blockchain protocols, it now also offers Defi+ Core, an actively managed certificate (AMC) for exposure to decentralised finance. In the second of a two-part interview, Katalin Tischhauser, head of discretionary solutions and investment research, Sygnum Asset Management, spoke to SRP about the future of the crypto market and whether the bank would consider offering other, more traditional structured products such as reverse convertibles on digital assets.

"I do not see enormous demand for complicated structured products," said Tischhauser. "There would be demand for downside protection, for obvious reasons, but when interest rates are very low or even negative, it is very hard to create attractive products with downside protection. In fact, right now 80 to 85% downside protection is possible with limited upside – which usually does not attract investors."

With the high volatilities in crypto, the implied volatility is high as well.

"It becomes very expensive to get upside exposure through an option or convertible type. Instead of being exposed to one Bitcoin per product, you get half a Bitcoin exposure per product because it is expensive to buy the exposure. With reverse convertibles, if you sell the volatility, you can earn a great deal," said Tischhauser, adding that with such a volatile product, the expectation is that the market participants selling the exposure are also reckless.

"This very high yield can be appealing, but if things go badly, you own the asset that went wrong. In the crypto markets, this can mean being down 75% in a week for a given token. Few investors would be happy taking that sort of risk."

At the moment, Tischhauser sees the strongest demand for straight exposure to the market, both active and passive.

"There is an active crypto asset options market, although the range of cryptocurrencies has room to grow. However, futures exist for a long list of cryptocurrencies now," she said.

The company is hoping to develop new underlying strategies in the not-too-distant future. It is looking at both different sectors and asset allocation types while it is also reviewing quantitative strategies with momentum or trend following strategies.

"Fundamentally, we think that the current environment creates a very bullish scenario for the crypto market. We see the current weaknesses as a good opportunity to enter the crypto market, and we expect to see much higher prices later in the year," said Tischhauser. "We see this is driven by the growing number of institutions entering the market, bringing more users into crypto assets."

There are developments in the world that support the case for decentralised finance and cryptocurrencies. Canada raised this awareness, when bank accounts were frozen due to protests against the government, as did Russia, where sanctions are affecting a lot of people personally. As a result, many people consider cryptocurrencies more quickly.

"There has been real growth in the usage of cryptocurrencies. As inflation appears after the extreme monetary expansion, cryptocurrencies offer a disinflationary option that cannot be overruled by political decisions.

"More cryptocurrency supply cannot be created just because what a central bank or politician wants to achieve. Currently, inflation is becoming a bigger and bigger problem – such as petrol prices for example. That is inflation, and it affects you directly," said Tischhauser.

There is also the question of more uses for cryptocurrencies. It is no longer perceived as just one type of investment: there are many applications.

There is also increasingly sophisticated interest in metaverse-related projects, also known as Web3 or the decentralised web, open web projects, decentralised finance (DeFi) and a whole host of applications for building on the blockchain.

"I think this growth in interest is leading to a differentiation of investments by crypto market segment, sector, underlying blockchain, applications built on top, supply chains, communications, or even by media.

"It is still at a very early stage, but we basically see a replication of the old economy on the blockchain. Increasingly sectors are starting with little replicas of their traditional counterparts and then they are growing. Investors are starting to be interested in themes, so they may be interested in buying into metaverse-related crypto assets or NFT-related crypto assets.

"The interest is increasingly specific, rather than people just wanting to buy into 'crypto' in general," Tischhauser concluded.

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Vestr: many structured products issuers are doing AMC

The software provider focusing on actively managed certificates (AMCs), which expanded to Singapore via a partnership with Julius Baer in 2021, sees structured products at the centre of the growth in the actively managed products space.

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“Overall Decentralised Finance is of interest to AMC investors,” said Wagner. “Institutional investors like to use AMCs to access crypto [and other digital assets] instead of opening up a wallet.”

Most of the activity around AMCs continues to come from external asset managers that already have used structured products before. However, this wrapper is also being deployed by issuers seeking to leverage their existing capabilities.

“Many structured products issuers already do AMC business because, for them, it’s an easy way of diversifying their offering and leveraging their knowledge,” said Wagner. “They have done delta one and have an existing issuance vehicle, so it’s pretty easy for them to get into the AMC business.”

The market growth also comes from new securitisation vehicles or special purpose vehicles (SPVs) set up to enable AMC issuances but also a whole range of investment vehicles, from Ucits to limited partnerships.

“For the bulk AMCs, between US\$1 to US\$50 million, it is not worthwhile setting up a fund,” said Wagner. “But we also see other issuers who have US\$100 million in one AMC – these are often from big players with a successful strategy with an internal distribution, plus they can offer investments that take too long to implement in a fund.

“Many themed investments are done via AMCs because, by the time the fund is up and running, the investment rationale for the theme has already been realised.”

Most of the AMC activity seems to come from Switzerland, but there are other jurisdictions where AMCs are also popular, like Luxembourg and Liechtenstein. Where is the issuance and investing coming from?

Stefan Wagner: There are always three parties involved in an AMC – the issuer, the external asset manager and the investor. All three parts can be in a different region.

From a booking point of view, Switzerland and Singapore are probably the biggest markets for AMCs in the world. That comes from the fact that people outside that country often use

SRP spoke to Stefan Wagner (pictured), the company’s head of business development, about the appeal of AMCs and defined outcome structured funds, as well as autocalls, trends and themes in the structured products market.

According to Wagner, the fact that many issuers of AMCs have adopted the firm’s platform suggests this is an area of growth in the market.

“These structured products can be listed or are one-off OTC trades,” he said. “Several structured product houses focus on offering structured products inside AMCs - many of their AMCs use structured products as part of the underlying portfolio.”

The AMC is also often used to provide access to assets that are difficult to access. For example, strategies on cryptocurrencies and providing liquidity for mining or staking.

them to book and manage their wealth and because they both have a diversified external asset manager market.

For example, a Latin American client might have an account at a bank in Geneva. The AMC booked in the Geneva account is advised by an external asset manager located in Germany, and the issuer is incorporated in the UK. The same applies to Singapore, one of the biggest markets where AMCs are booked.

Historically, many issuers are from Switzerland, but several European or US issuers have also been very active with AMCs in Europe. Then you have many smaller firms that use off-balance-sheet vehicles domiciled in Guernsey, Jersey, and Luxembourg.

How do you see defined outcome products or funds of structured products? Do they fit with the AMC approach?

Stefan Wagner: With a defined outcome, you know exactly what your payoff will be depending on where the market ends up. That's what the derivative does. It is an attractive proposition because the people who sell it don't need to have a long track record, and it is obvious what they receive as an investor.

If the investor likes the risk profile, then it is the right product for them. You cannot argue that you picked the wrong stock, or 'why did you buy Netflix when it was already up 200%?' None of this goes into it. It's a very clear relationship between the investment manager and the investor, and the investment is fully transparent.

Derivatives are not a zero-sum game. If one side delta hedges, usually the investment bank, and the other side doesn't, which is what the investors typically do. Both can make money, both can lose money, one can make money, and the other one can lose money. All iterations are possible.

Most of the payoffs in structured product funds are autocalls. Is there a scope for other types of payoffs too?

Stefan Wagner: You have to distinguish between what we call predefined payouts. For the time being, they will mainly be autocalls or anything that is a yield generating product. Nevertheless, many quantitative investment strategies use a broad range of listed options to implement a specific risk profile.

What is your assessment of the structured products market over the last 18 months?

Stefan Wagner: Post March 2020, we saw a lot of banks looking to change the payouts to mitigate and hedge their risk. That can be advantageous because pricing may become more attractive. They were hit by the change in dividend expectation, which led to new indices with fixed dividends embedded.

Correlation risk has also been on the agenda. Investors don't like this, and they avoid worst-of and best-of structures. Same with the discontinuity that you often have with barriers. We have seen innovation on payoffs to mitigate correlation and discontinuity risk.

We also have explored equally weighted indices - sector exposure can be significant in capital weighted indices if a sector like technology had a run-up. Equally weighted indices have a broader diversification.

What is your investment theme for 2022?

Stefan Wagner: ESG is definitely a topic that's coming. There's increasing attention around it, and more and more money is invested in sustainable investments. There are already many good indices with ESG in mind developed.

Still, the question is, can we actually get a good ESG index that can be a reference and investment banks can actually hedge without proxies. I think that's why we are a bit stuck right now. It will be exciting to see what solutions providers can come up with.

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Many structured products issuers are leveraging their knowledge on AMCs

ESG a challenge for EU structured products manufacturers

The European market for structured products faces a new challenge in the wake of the new ESG regulation, according to law firm Mayer Brown.



According to Scholl, structured products and derivatives can play a relevant role in the transition towards a green economy and sustainable finance but there needs to be more clarity about what makes a product ESG, how the three elements – issuer and taxonomy alignment, green, taxonomy aligned underlyings, the use of proceeds to support taxonomy aligned ESG projects/activities - count towards a structured products KPI.

Under the amended Mifid 2 Delegated Regulation, investment advisers will be required to ask investors about their sustainability preferences. This development is accompanied by the discussion about a sustainability traffic light system like the one suggested in Germany and the EU Ecolabel for retail structured products.

"It is important that investors understand what they are investing in and the lack of guidance is a risk," said Scholl. "The market needs transparency and uniformity and a harmonised standard methodology of what is sustainable and green.

"Some issuers and distributors are not getting involved in ESG because of the currently still quickly assumed greenwashing element and the reputational risk."

As structured products are not covered by the EU Disclosure Regulation, there is currently no regulatory framework directly applicable to such products and no regulatory guidance on the features of a structured product that would qualify a product as a 'sustainable structured product' with legal certainty for product manufacturers.

"There are many legal uncertainties for manufacturers when it comes to structuring sustainable structured products," said Scholl. "At the moment, product manufacturers face the issue of developing their own methodology, and this is not good for the market, and it will not work going forward."

ROLE OF DERIVATIVES

In connection with the discussion about the further implementation steps for the EU Taxonomy Regulation and the EU Disclosure Regulation, the EU Commission has not yet acknowledged an enabling effect of derivative instruments on sustainability goals.

The implementation of the EU Taxonomy Regulation in the upcoming years will make more data available to market participants about the sustainability of major companies in the EU. Moreover, a new EU Green Bond framework will create a gold standard for issuances with a specific environmental use of proceeds, according to the law firm.

Under the EU Disclosure Regulation, financial market participants such as investment funds and financial advisers such as credit institutions and investment firms are already required to provide certain sustainability disclosures. The EU Benchmark Regulation also provides the basis for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

"There's uncertainty as to what regulators think about how ESG products should be structured, as well as investor preferences and certain sustainability aspects," said Patrick Scholl, partner and head of Mayer Brown's Banking & Finance practice in Germany. "A few weeks ago, the market seemed to have a clear view about nuclear power, coal and gas, and now we're wondering how ESG will look if the military and defence industry becomes more important for the Western world."



ESG still associated with greenwashing and reputational risk

In Germany, early court cases show that consumer protection associations have claimed that product manufacturers in the area of investment funds gave investors misleading information in the context of the offering and advertising of environmentally sustainable investment funds, according to Scholl.

Taking into account that EU investors will, from this summer on, be asked about their sustainability preferences by investment advisers, a product universe covering sustainable products needs to be in place by then. Otherwise, an investment adviser would not be able to match the requirements of an investor. Waiting for a clear regulatory direction does not, therefore, seem to be right.

“The work done by some trade bodies like the German Derivatives Association [DDV] is important but not enough,” said Scholl. “The industry has gone a long way from the old ways to being more accountable and having a governance framework,

but the risk of losing the trust of investors is evident as ESG can be perceived as a new way to make money. The focus has to be on investor preferences and needs.”

It is important that the industry and the regulators work together so that new guidelines and requirements are implemented in a harmonised and reliable way. This includes practical solutions in the EU regulations also with respect to structured products and their documentation, for example by enabling a sustainability disclosure section with the Priips KID.

“In the EU, regulators need to enable product manufacturers to create innovative structured products with sustainability effects on a legal reliable basis. This is finally what the purpose of sustainable finance is about,” he said. “The current regulatory environment definitely creates opportunities to develop a market for sustainable structured products in a sensible, trustful and risk-managed way.”

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 with its advanced European counterpart, 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-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.

View from the top: AMC can provide efficient access to best crypto hedge funds

Swiss Venture Capitalist CV VC partnered with Crossbow Partners earlier this year to launch an actively managed certificate (AMC) linked to the CV CB Digital Asset Portfolio.



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**The crypto funds
deploy various
investment
strategies**

The AMC, denominated in US dollars, offers an actively managed exposure to digital assets by investing in a range of crypto dedicated hedge funds globally. According to the last product update, the strategy delivered 234.07% in 2021 – YTD the AMC has lost -19.82% (February 2022).

“One of the key features of the product is that it invests in actively managed crypto funds that deploy various investment strategies,” according to Sita Chopra (pictured), senior relationship manager at CV VC.

While CV VC has insight into blockchain technology, venture capital and digital assets, the underlying fund picking is done in collaboration with Crossbow Partners, a specialist hedge fund advisor.

“We wanted to offer investors an investment opportunity in the crypto space where they have more limited downside when the market is running against them while capitalising on upward markets,” said Chopra.

CV VC chose Crossbow Partners which has US\$1 billion in assets under advisory and already works with pension funds and family offices in Switzerland, for their expertise in the crypto hedge fund space.

“They provide their experience in selecting the right hedge funds, which trading strategies are working, where to focus and how to diversify the portfolio regarding different markets and different trading strategies,” said Chopra.

“We actively complement the hedge fund selection and portfolio construction processes of the AMC through our expertise in the digital asset space.”

In order to achieve an asymmetric and diversifying return profile, the AMC invests in funds that deploy different trading strategies including long/short, arbitrage and market neutral, “that are managed by experienced managers with proven performance records”.

According to Chopra, other key elements of the AMC is that it

selects hedge funds with an active trading approach with the ability to short the largest tokens, shift exposures, raise cash, and cut positions quickly.

“This enables investors to get exposure to specialised digital asset managers providing access to uncorrelated return streams via a diversified portfolio across sub-strategies, investment styles, sub-sectors and time horizons,” said Chopra.

Underlying funds in the portfolio can also invest on a single sector (DeFi) or avoid sectors (NFT); can underweight/overweight or avoid specific tokens (BTC); or trade outright directional or relative value (cross-exchange arbitrage), according to Chopra.

BLOCKCHAIN STARTUPS

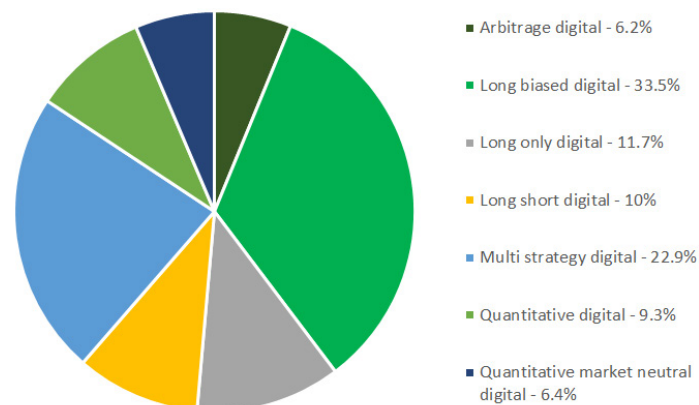
This is CV VC's latest AMC strategy after the release of its first structure offering exposure to a portfolio of blockchain startups from Switzerland's Crypto Valley– the firm partnered in 2020 with MRB Vermögensverwaltungs and GenTwo Digital to bring to market an AMC to scout for startups in the blockchain space.

CV VC has focused on developing a track record over the last two years – the firm has conducted 37 portfolio investments in blockchain startups from seed to series A operating in 17 countries from four continents, before moving to become an issuer of its own products.

“This product was launched with the belief that blockchain technology will stay for good,” said Chopra. “When you evaluate the market, we can see that AI will play a key role in the development of blockchain technology and the metaverse. Our focus is more on blockchain technology than cryptos as we think this will be a game changer for the industry going forward.”

Other products offered by the Swiss firm include a series of

Strategies exposures



Source: CV VC

delta one structures tracking proprietary AMCs such as the CV Bitcoin AMC, CV Liquid Crypto Top 8, and CV Defi Select.

According to Chopra, there are other ideas in the pipeline as the firm's philosophy is to look at future trends in the digital assets space such as NFTs and the metaverse, but the current focus is on promoting its crypto hedge fund AMC.

“Right now, we are concentrating in making this product work well for our clients and deliver a portfolio with different crypto hedge funds because it's a very attractive investment solution,” said Chopra. “However, there are a number of trends where we think we can offer value to our clients. Metaverse is an interesting theme to follow as well as investing in liquid tokens that have not been listed officially on any centralised exchange. This kind of strategy could offer attractive margins.”

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We complement the hedge fund selection and portfolio construction processes of the AMC

Cryptos: Kraken to launch structured products

Crypto exchange Kraken is planning to roll out structured products in its platform to provide a staking yield for institutional investors.

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Kraken's plan to launch structured products has been in the works for some time and was triggered following the acquisition last year of Staked, a staking company operating in the crypto market.

The firm wants to combine the trading services offered by its crypto exchange platform and the staking power of the new firm to offer more services to institutional investors.

According to Tim Ogilvie, head of Staked at Kraken Ogilvie, the new structured products will use staking of futures to achieve certain objectives and will comprise products known internally as cash, carry, and stake.

'This strategy is already familiar to sophisticated and institutional investors,' said Ogilvie. 'The strategy allows investors to stake to gain rewards generated by the act while reducing the risk of exposure to the underlying asset at the same time. You basically eliminate the underlying currency risk to allow you to get just a yield.'

The process also offers short-term returns when the investor goes short on an underlying asset, allowing the investor to gain from funding rates. Investors seeking to invest in the new products will be required to follow the know-your-customer (KYC) and AML procedures before they are given access.

Helveteq debuts crypto ETPs on SIX Swiss Exchange

Swiss crypto ETP issuer Helveteq has listed two new crypto ETPs on Bitcoin (Bitcoin Zero / BTCO2 - CH1167574438) and Ethereum (Ether Zero / ETH2O - CH1167574446) in the SIX Swiss Exchange.

With the new crypto ETP listings by Helveteq the number of crypto ETP issuers active in the Swiss exchange amounts to 11, while the number of tradable crypto ETPs is now 155.

The new products are part of Helveteq's 'crypto goes carbon neutral' research-based initiative – a cooperation of the issuer with the Swiss FinTech Innovation Lab of the Institute for Banking and Finance at the University of Zurich.

'It is time to offer investors the first carbon neutral crypto ETPs by a Swiss issuer,' said Christian Katz (above-right), CEO at Helveteq. 'Awareness of the link between the environment and the blockchain economy is rising fast and we all must work together to find sustainable solutions.'

SIX currently offers investors access to 240 ETPs and structured products combined, based on 18 cryptocurrencies and provided by 13 issuers. Helveteq is the third new crypto ETP issuer to join SIX this year.

In 2021, the crypto product segment at SIX Swiss Exchange recorded strong growth - trading turnover reached CHF8.6 billion (US\$9.2 billion), an increase of 673% compared with the previous year (CHF1.1 billion). The number of transactions has increased more than sixfold too: in total, 354,542 trades were carried out in crypto products. For the majority of this volume investors increasingly turn to collateralized ETPs, so 71.8% of trading turnover in 2021 was conducted in ETPs (compared to 33.1% the previous year).

Securities regulator warns of derivatives, synthetics as DeFi cloning financial markets

The International Organization of Securities Commissions (IOSCO) has published a report setting out how decentralised finance (DeFi) is quickly evolving to mirror conventional financial markets.

The report offers a review of the fast-evolving DeFi market, its new products, services and principal participants and identifies some products and services that replicate more traditional financial services and activities which are novel to DeFi, but had weaker regulation and increased risks for investors.

The report casts doubt on the claim of DeFi innovators that it is a peer-to-peer marketplace with no centralised insiders in control.

'By looking in detail at how DeFi works, it identifies central actors who, it concludes, often retain control – for example, through the distribution of "governance tokens";' stated the regulator. 'It also highlights the important role played by centralised trading platforms who often face substantial conflicts of interest.'

IOSCO said it will continue to look beyond DeFi protocols designed to offer synthetic exposure to an asset or event, and scrutinise derivative DeFi protocols that 'are economically the same as or similar to traditional derivatives such as options, swaps, and more complex structured products'.

The regulator reminded market participants that DeFi protocols that enable participants to create and trade the same or similar synthetic economic exposures, some of which may be based on or reference any type of asset or event, are subject to derivatives regulation in many jurisdictions.

Recent macro events sentiment has resulted in mixed sentiment surrounding cryptocurrencies. As a result, digital asset investment products have experienced outflows throughout the month, averaging US\$9.9m in March, according to the regulator.

In March, the price of Bitcoin fell by 0.25% while Ethereum rose 4.43% (data up to 24 March), marking a possible inflection point for Bitcoin and a definitive trend reversal for Ethereum.

Canadian issuer rolls out market neutral yield harvest program

Crypto structured products provider InvestDEFY has launched Sygma, a weekly market neutral yield harvest program targeted at institutional investors, family offices, high-net-worth individuals, Bitcoin miners, and DeFi yield farmers.

The product has been designed to provide lower volatility and a low correlation relative to Bitcoin or Ethereum, without employing leverage and it is powered by the firm's Digital Asset Trading Automation (D.A.T.A.) platform. The product is also guided by the company's proprietary Predictive Explorer analytics platform DORA, which is designed to centralise access to all models and predictive analytics.

'The underlying volatility of BTC and ETH is not for the faint of heart,' said James Niosi, CEO and Co-Founder, InvestDEFY.

'We witnessed a 50% drawdown since last November's peak-to-trough, which has resulted in inbound calls for asset protection. But asking for protection after a market melt-down is like buying high or selling low—it's going to be very costly.'

Sygma is aimed at investors seeking to generate returns on their USD, BTC, ETH, and Stablecoins, regardless of the direction of the market, and addresses four 'pain points' commonly experienced by investors in crypto assets such as the high correlation of BTC and ETH to other crypto assets; the significant volatility on BTC/ETH assets; the low yield generation on BTC/ETH assets; and the downside risk of BTC/ETH assets.

Each week, Sygma harvests yield in the form of premiums received by entering into one of two custom derivative structures.

The structure generates weekly positive returns that can be reinvested to compound over the lifetime of the investment by maximising yield in the form of premiums while also providing week-to-week downside protection.

Backtesting since the beginning of 2021 shows that Sygma BTC generated a 6.06% return on capital from its launch on January 21, 2022 to March 11, 2022, while Sygma ETH generated a 1.51% return on capital since its launch on February 4, 2022 to March 11, 2022. This compares to a 5.9% return for BTC and a -13.03% return for ETH for the same periods.

The release of SYGMA follows the recent launch of InvestDEFY's D.A.T.A. platform and its two indexes: Equal Weighted Decentralized Finance (DeFi) and Equal Weighted Metaverse + Web 3.0 NFT.

Goldman executes first OTC crypto trade

The US bank has traded its first ever Bitcoin non-deliverable option (NDO)

Goldman Sachs Group has partnered with institutional blockchain and cryptocurrency financial services provider Galaxy Digital to execute its first OTC crypto in the form of a Bitcoin non-deliverable option (NDO).

This marks the first OTC crypto transaction by a major bank in the US market and is also testimony of investment banks expanding their cryptocurrency offerings and adopting digital assets. The trade also represents a continuation of the bank's partnership with Galaxy Digital to deepen its crypto capabilities, which included facilitating Goldman's first CME Group Bitcoin futures transaction last year.

Galaxy Digital's trading platform is focused on the digital-asset market, offering clients deep, liquidity across a variety of centralised exchanges and OTC markets. The firm has

strong capabilities in moving capital and assets securely and efficiently through relationships with spot and future exchanges, digital asset exchanges, custodians and fiat banking partners,

Galaxy's trading platform provides liquidity in over 100 digital assets, with a consistent focus on the expanding needs of counterparties in the digital assets sector. Galaxy works with over 690 institutional trading counterparties and added 43 new relationships in the third quarter of last year.

The firm teamed up with Bloomberg in the summer of 2021 to launch the Bloomberg Galaxy DeFi Index (ticker: DEFI).

Bitpanda crypto ETC debuts on VSE

The Vienna Stock Exchange has added Bitpanda Issuance, a new product provider offering listed products linked to the performance of Bitcoin.

The Bitpanda Bitcoin ETC is available for trading as a debt security as of today (17 March) on the Vienna exchange.

The exchange said market participants will be able to benefit from monitored and transparent trading as well as secure settlement via their securities account, without having to open their own crypto wallet.

The new ETC which tracks the price of Bitcoin is backed physically in a cold storage. German brokerage house Lang & Schwarz provides liquidity.

With the Bitpanda Bitcoin ETC, the Vienna Stock Exchange offers 13 crypto-linked ETPs from nine different issuers.

CME rolls out micro-sized BTC and ETH options

CME Group is planning to launch options on micro Bitcoin and micro Ether futures on 28 March, pending regulatory review.

The new micro Bitcoin and micro Ether options contracts will be one-tenth of their respective underlying tokens in size and will offer institutional investors and 'sophisticated, active, individual traders' with more ways to manage their exposure to the top two cryptocurrencies by market capitalisation.

These contracts will complement the existing Bitcoin options contracts, sized at five bitcoin and launched in 2020. The new contracts will also allow investors to express long- or short-term views with a choice of monthly as well as weekly options expiries.



Star autocall: enhancing European barriers

As the autocall structure continues to evolve we look at the latest innovation developed by investment banks to increase potential returns. *by Suzi Hampson*

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The structured products market covers a broad spectrum of product types and asset classes. Market participants have regularly created innovations in product payoffs as investment banks and distributors try to find new ways to increase product appeal and increase potential returns for investors.

One such payoff modification which has recently been introduced into both the UK and international markets is the star feature, an enhancement to the standard European barrier which is common across many product types and geographic regions. It can be applied to capital-at-risk products that are linked to more than one underlying.

For most multi-asset products, the capital repayment condition is dependent on the value of the worst performing underlying (the

worst-of product type). For a standard product with a European barrier if one or more of the underlying assets is below the barrier, the barrier is breached, and some capital will be lost. The one-star feature has the key difference that if one of the underlyings is greater than a certain level (typically the initial strike level) capital will be repaid in full even if the barrier is breached. Therefore, in an example with four underlyings, three of them might finish below the barrier but if one was greater than its starting level the capital investment would still be repaid.

In the UK, Hilbert recently distributed a defensive autocall product issued by Citigroup using the star feature. The product was linked to five stocks (British American Tobacco, HSBC, Persimmon, Phoenix Group and Rio Tinto) and paid an annual return of 18.3%. The product had reducing autocall levels and a European barrier of 60% with the star feature present.

	IDAD One Star Effect Reducing Autocall April 2022	Control product with same AC schedule and 50% European barrier
Outcome	Simulated probability (%)	Simulated probability (%)
Autocall at first point (AC level 100%)	29.35	29.35
Autocall at points 2-20 (AC level 97.5%-60%)	38.73	38.73
Capital loss	21.79	31.08
Capital return (no AC)	10.13	0.84

Source: FVC Offshore Structured Edge service (www.structurededge.com/os)

Another UK distributor IDAD also currently has a product with the star feature available in the offshore market. It is issued by BNP Paribas and called the One Star Effect Reducing Autocall. This is linked to four stocks: Advanced Micro Devices, Carnival Corporation, Tesla, and Zoom Video Communications. This product pays an annual return of 23% if all four underlyings are above the required autocall levels at which point the product terminates. The first autocall point is after one year and the autocall level is 100% of the initial level. During the life of the product, the autocall level is reduced by 2.5% at each quarterly point down to 60% for the last five autocall dates.

The product has European barrier of 50% which will be breached if one of more of the underlying stocks are below this level at maturity. However, because of the star feature, if the barrier is breached and one of the remaining stocks is at or above 100% of its initial level, capital will be returned in full.

The table shows a summary of output from the Structured Edge research report on the IDAD product compared with an autocall structure with the same schedule of payments and barrier level but no star feature. The simulated probabilities are calculated using FVC's pricing models, independent market data and projected equity growth rates based on long term

historic market performance. The results demonstrate the effect of the star feature on the potential return of capital for the IDAD product. Introducing the star feature decreases the chance of capital loss from 31.08% to 21.71%.

The initial estimated price difference between the IDAD product and the control was in excess of 5%. This is a significant difference and shows that the feature comes at a cost which will reduce the potential returns of the product. An autocall without the star feature could have offered a coupon in excess of 28% for the same overall cost structure.

Both of these example products are defensive autocalls linked to baskets of stocks. At the time of the analysis of the IDAD product, the one year at-the-month volatilities for the stocks were typically over 35% and correlation levels between 70% and 85%. The product offers a high return of 23% p.a. and has a deep barrier of 50% with the additional protection of the star feature which will benefit investors in different scenarios such as increased volatility and one stock performing adequately even if one of the rest suffers a large fall.

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

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The star feature is an enhancement to the standard European barrier

Market analysis: UK structured products index beats FTSE 100

The UK structured product market has had a strong start to 2022 continuing the pattern of increased issuance and sales volumes that has been witnessed in the past two years. *by Tim Mortimer*

The numbers suggest that the market is on track to exceed the previous highs of 2017 and 2018. These were reached before the twin effects of PRIIPs and Covid impacted product issuance. In the case of PRIIPs it was the accompanying regulatory burden. Covid interrupted normal market operations and bank ability and appetite for new business.

Structured Retail Products (SRP) and FVC are collaborating in bringing a new structured product lifecycle and portfolio management application named StructrPro to the US market which will be fully launched by the end of April 2022. This service will allow users to track and analyse products from the universe of over 45,000 open or recent products in the US market covered by SRP.

Combining SRP's US product database and FVC analytics will give market participants such as banks, distributors and advisors powerful tools to gain insight into the structured products in the market and in individual portfolios.

In the UK, FVC has provided analysis and comparison metrics on retail structured products for over twenty years through its advisor service StructuredEdge. This service contains an initial pre-sales analysis available during the product offer period for advisors. By combining the StructuredEdge database of products with new performance measurement functionality that FVC has now developed it is possible to take a closer look at the UK structured product market providing breakdowns and performance statistics.

This article will focus on UK retail structured products that have appeared on structurededge.co.uk with a strike date on or after 1 July 2017, representing nearly five years of new products. Since most UK products have a maturity of between five and ten years this means that most product maturities in this universe are due to early maturity (autocalling) rather than reaching their final maturity date. Part of the focus of the approach is to combine matured and live products to give an overall picture of market performance.

Table 1 shows the distribution of returns of matured products. The most frequent annual return is the bucket of between 7.5% and 10% per annum and in total over 92% of the universe have

Table 1: Frequency of return per annum for matured products in UK

Bucket p.a. %	Frequency %
<-10%	0
<-7.5%	0
<-5%	0
<-2.5%	0
<0%	0
<2.5%	2.08
<5%	5.51
<7.5%	56.25
<10%	27.08
<12.5%	7.14
<15%	1.04
<17.5%	0.15
<20%	0.45
>=20%	0.3

**Products striking on or after July 2017*

Source: FVC

returns of at least 7.5% per annum. This is made up of products which have called paying income over their lifetime or the final snowball return amount.

Table 2 shows product returns for all products analysed consisting of both live and matured products. For live products the return is calculated using the latest independent valuation calculated by FVC for the product including previously observed cash flows.

As can be seen below, the most common product types are different variations of autocalls. The income autocall has the highest annualised return at 9.23% but makes up the smallest proportion of autocall products by type. This is due to the defensive nature of income autocalls which pay income prior to final maturity.

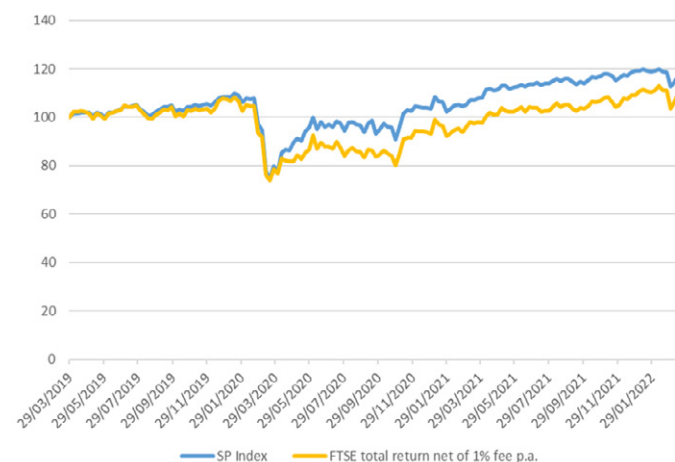
The digital growth is the largest product type after all the autocalls but has a much lower per annum return. This is because digital growth products are often capital-protected and therefore offer more modest returns because of the lower risk.

As part of the detailed lifecycle analysis that is contained within this application, it has been possible to create an index of structured product returns using the UK retail product database as the universe and weekly product valuations for all products to create and define an index. The index methodology consists of a process to invest as equally as possible across all products in the market, buying an equal amount of each new product and using realized cashflows to re-invest back into the index. It therefore closely mimics an investor or fund being equally invested in products (or a representative subset) in the UK market over time. The graph shows the performance of the structured product index against the FTSE 100 Total Return index (with 1% pa fees deducted) to represent a typical equity tracker fund after fees.

The index closely tracks the FTSE 100 Total Return Index from its inception in March 2019 until after the major market fall in March 2020 where the structured product index recovered quicker than the FTSE 100. This was because of a combination of product protection features and lower volatility levels helping product valuations once markets had calmed down somewhat. The structured products index and the FTSE 100 are very closely linked because so many structured products in the UK are linked to the FTSE 100 or other UK equity indices.

Due to the varied nature of structured products and their fixed term construction it has always been challenging to track

Chart 1: Structured products index vs FTSE TR Index (minus 1% p.a. fee)



Source: FVC

market and product performance than for other investment types. This contrasts with the fact that fund performance statistics by sector or fund manager are easy to compile and are taken for granted to track trends or benchmark returns.

Therefore, the innovative methodology used in this application should prove very useful for measuring the structured product market.

The provision of more detailed individual and aggregate product level analysis of structured products in each market is a powerful tool for advisors and other professionals and gives more insight into the structured product sector. The US and the UK are the first two markets to be addressed in this way and more countries will be added onto the StructPro application to bring these benefits to a wider audience.

Table 2: return per annum by product type for live and matured products in UK

Product Type	Proportion %	Return p.a. %
Defensive Autocall	43.67	5.57
Growth Autocall	30.72	5.66
Income Autocall	12.9	9.23
Digital Growth	6.3	2.15
Others	6.4	4.77

*Products striking on or after July 2017

Source: FVC

Product wrap: mutual funds, decrement indices and currencies

In this month's wrap, we look at a selection of structured products with strike dates between 20 March and 16 April 2022.

EUROPE

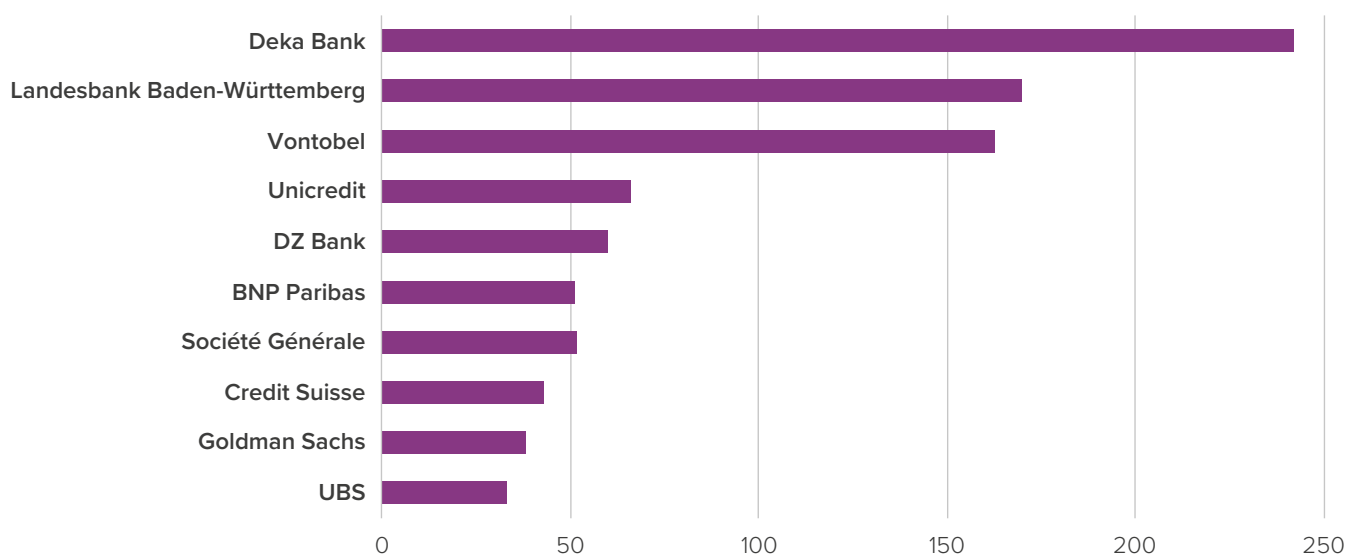
Deutsche Bank collected €5.5m with Fund Opportunity Coupon Plus USD 2032 in Belgium. The 10-year medium-term note (MTN) is linked to DWS Concept Kaldemorgen EUR LC, a mutual fund that was first launched in May 2011 and currently has assets of €12.9 billion. The product is denominated in US dollars and protects 100% of the nominal invested at maturity. Every year, it offers a coupon equal to the annualised performance of the fund, subject to a minimum of one percent and a maximum of 6.50%. The product is listed on the Luxembourg Stock Exchange but does not provide access to an active market. Total costs of maximum 6.50% are included in the issue price of 102% (4.25% distribution cost and 2.25% structuring cost). Priips Summary Risk Indicator: two out of seven.

BCP Asset Management distributed issue five of its European Defensive ESG Kick-Out Bond in Ireland. The 10-year autocall

is linked to the Solys Quadrant Europe Fund, which was launched on 25 August 2021 and is actively managed by SG29 Haussmann. The underlying fund provides exposure to a portfolio of 75 European companies that operate in four mega trends: environmental transition, digitalisation, new economy and demographic trends. The autocall barrier is at 100% from the end of year one until the end of year five when it drops to 85% until the end of the investment term. The nominal capital will be returned at maturity provided that the fund has not fallen by more than 50%. The product is listed at Euronext Dublin. It is issued on the paper of SG Issuer while Société Générale acts as the guarantor. There is a total fee of five percent, and the minimum investment is €20,000. Priips Summary Risk Indicator: four out of seven.

Walker Crips collaborated with **Morgan Stanley** for the launch of UK & US Kick Out Plan (MS079) in the UK. The six-year Athena autocall redeems early (annually) if the FTSE 100 and S&P 500 close at or above their initial level on the validation date. In that case, the product offers 100% capital return, plus

Europe: top 10 issuer group by issuance - 20 Mar 2022 to 16 Apr 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

a coupon of 10% for each year elapsed. At maturity, capital is preserved providing both indices close at or above 65%. Otherwise, the investor participates 1:1 in the worst performing index. Costs and charges for managing, marketing and administering the plan are approximately 1.14%. The product is listed in London. Priips SRI: five out of seven.

Van Lanschot Kempen launched the Trigger Note Eurozone Dividend 22-27 in the Netherlands. The five-year autocall is linked to the performance of the Eurostoxx Select Dividend 30 Index. It is redeemed early, annually, if the index closes at or above its initial level on the validation date. In that case, it offers 100% capital return, plus a coupon of minimum 11% for each year that has passed. An American barrier of 60% applies at maturity. The one-off entry cost is expected to be 1.50% of the aggregate nominal amount, which is embedded in the structure of the notes and will therefore not be charged to investors separately. The product is not listed. Priips SRI: five out of seven.

Banque Populaire marketed Ambition Durable N°5 in France. The 10-year product is linked to the iEdge ESG Transatlantic Water EW 50 Decrement 5% NTR Index. After four years of investment, if the index is at or above 115% of its starting level, the product is autocalled for a capital return of 120%. At maturity, the product offers 100% participation in the index, subject to an overall maximum return of 140% and an overall minimum return of 90%. The product is a green bond issued by Natixis, which will use the proceeds to finance the construction and renovation of buildings with a low environmental footprint. It is listed at Euronext Paris. Priips SRI: two out of seven.

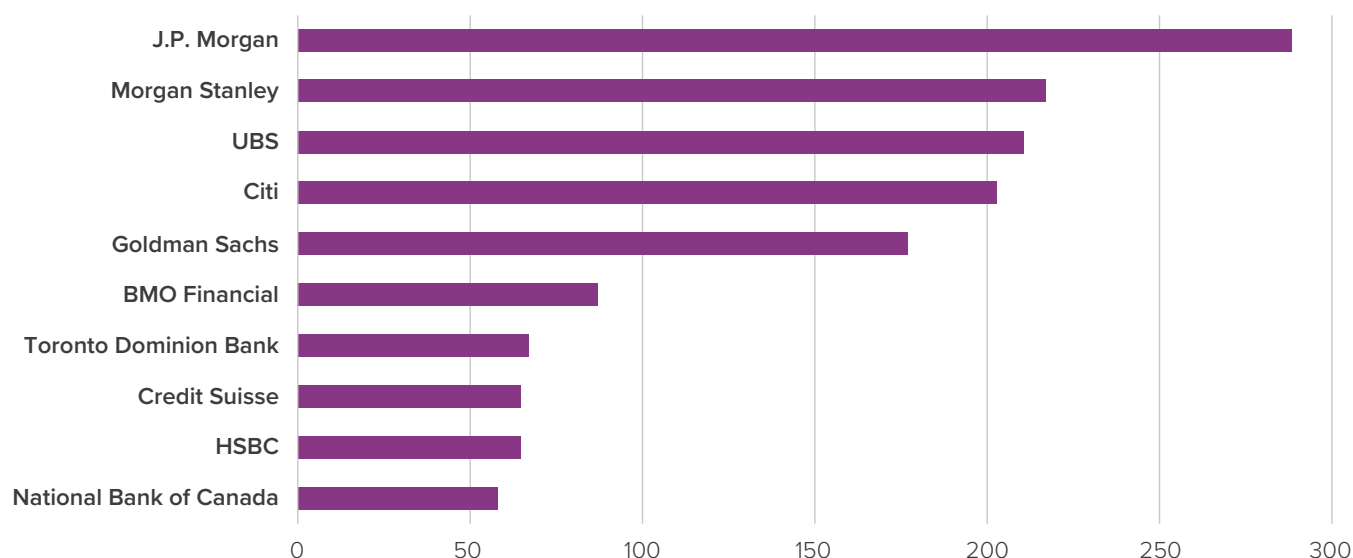
Alexandria teamed up with **Barclays** for Fortum 3x Booster 2 in Finland. The five-year MTN is linked to the share of Fortum Oyj, a Finnish state-owned energy company. At maturity, if the share is at or above 70% of its initial level, the product offers 100% capital return, plus 300% of the rise in the share, capped at 70%. Otherwise, the investor participates 1:1 in the fall. The product is listed at Euronext Dublin. The issue price includes a commission of five percent. Priips SRI: six out of seven.

DZ Bank issued Memory Express SD ST Airbag 3 22/29 on the MSCI World SRI Sustainable Select 3.5% Decrement (EUR) Index in Germany. The seven-year certificate offers an annual memory coupon of 3.50% if the index closes at or above 77% of its initial level on the validation date. It is subject to annual early redemption. It has a step-down autocall barrier, which starts at 100% in year one, and subsequently decreases by three percent per year. The product can be traded on the exchanges of Frankfurt and Stuttgart. There is a one-off entrance fee of 3.30%. Priips SRI: six out of seven.

NORTH AMERICA

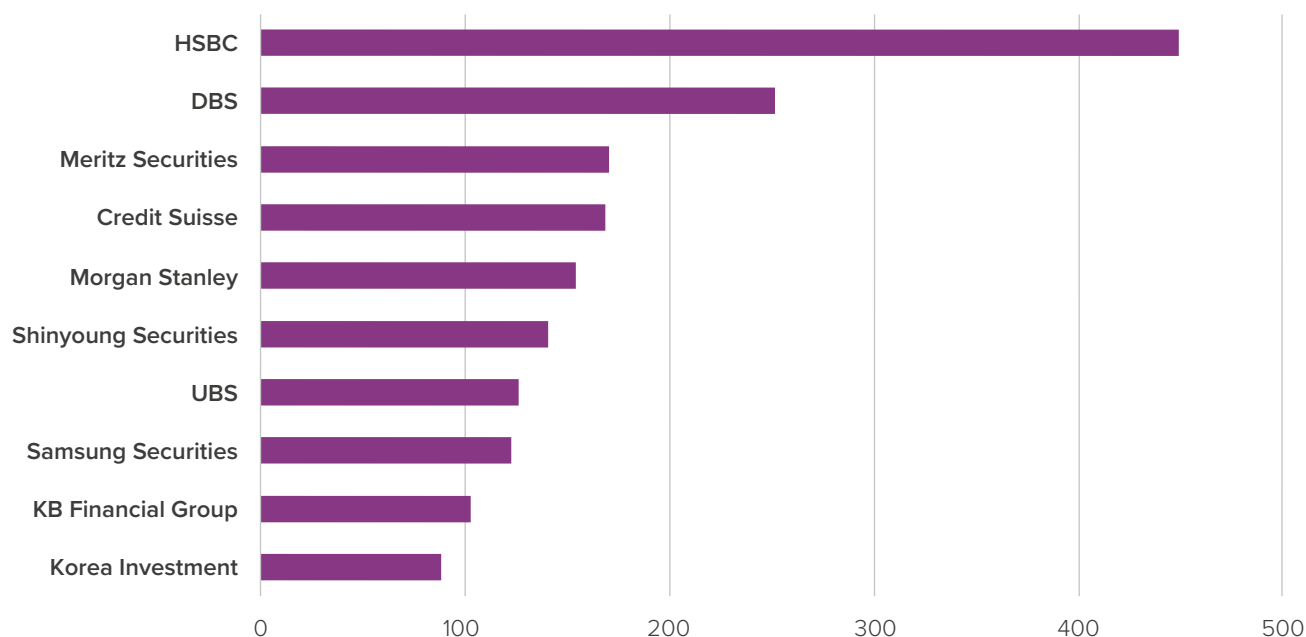
Citigroup Global Markets collected US\$3.4m with its 2.5-year market-linked securities on the proprietary Citi Dynamic Asset Selector 5 ER Index in the US. Index exposure is allocated to one of three possible hypothetical investment portfolios, each consisting of varying degrees of exposure to S&P 500 Futures Excess Return Index and S&P 10-Year US Treasury Note Futures

Americas: top 10 issuer group by issuance - 20 Mar 2022 to 16 Apr 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

PRODUCT WRAP
Asia Pacific: top 10 issuer group by issuance - 20 Mar 2022 to 16 Apr 2022*


*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Excess Return Index. The index relies on backward-looking trend and volatility signals to determine which portfolio to track. The product offers minimum 100% capital return, plus 100% participation in the rise of the index. The estimated value on the pricing date will be at least US\$926.00 per security. The underwriting fee is 1.50%.

Also in the US, **J.P. Morgan** achieved sales of US\$1.5m with Contingent Income Auto-Callable Securities on the common stock of Exxon Mobil Corporation. The three-year registered note pays a contingent coupon of 2.525% for each quarter the share closes at or above US\$56.446, which is equal to 65% of the initial stock price. If on any quarterly observation date the share closes at or above its initial level, the product is autocalled. The estimated value of the securities on the pricing date was US\$9.584 per US\$10 stated principal amount. A selling commission of two percent is paid to Morgan Stanley Smith Barney for distributing the product.

ASIA PACIFIC

Bank of East Asia targeted its 结构性存款产品系列/CNY Structured Note S2483 at retail investors in China. The three-

month capital protected product is linked to the appreciation of the Australian dollar relative to the US dollar. At maturity, it offers a coupon of 4.65% pa if the AUD/USD has been within the range of [+0.005 and -0.005] throughout the tenor. If the currency pair has been at or above +0.005 and at or below -0.005 but not higher than +0.2 and lower than -0.2, the coupon is 3.65% pa. Otherwise, the coupon is 1.1% pa.

Another FX-linked product, again linked to the appreciation of the AUD, was seen in Japan, where **Mitsubishi UFJ Morgan Stanley Securities** collected JPY4 billion (US\$33.6m) with デュアル債/DC JPY/AUD M20230314. The product offers a fixed coupon of one percent pa. At maturity, if the final spot rate rises above the valuation rate (initial rate - ¥11.8), it will offer 100% capital return in JPY. Otherwise, it will return the initial capital converted into AUD at the initial spot rate. This product is also available via 105 Securities, 77 Bank, and Hokuyo Securities.

NH Investment & Securities distributed NH Now ELS 9 in South Korea. The one-year step-down autocall is linked to the shares of Tesla and Advanced Micro Devices. At maturity, the product offers 100% capital return plus a fixed coupon of 22.5% if worst performing share closes at or above 70% of its initial level. There is an American barrier for soft capital protection of 60%. Société Générale is the derivatives manufacturer.

People Moves



UBP lands ex-JB veteran amid Asia push



The Swiss banker parted ways with the private bank earlier this year after serving nearly 20 years at Julius Baer where his last role was Apac head of structured products advisory & solutions. **Roger Meier** (left) has today (11 April) joined Union Bancaire Privée (UBP) as managing director, head of sales & client trading for Asia.

In this newly-created role within the treasury & trading department, Meier will be based in Singapore and report to **Dimitri Platonoff**, managing director, Apac head of treasury & trading who also sits on the UBP Asia executive committee.

He will be responsible for the strategic development of client-related trading propositions and sales linked to foreign exchange (FX), structured products and equity derivatives, a spokesperson at UBP told SRP.

Meier will also work closely with wealth management and investment services “to grow revenues by enhancing the current product and platform offering”.

According to the Monetary Authority of Singapore (MAS) register,

Meier’s license with Julius Baer was terminated on 15 February. Having joined the Swiss private bank in Zurich in 2003, he moved to Singapore in 2007 to build up the FX-linked structured products business before becoming the Asian head of structured products advisory managing a team in the country and Hong Kong SAR in 2010.

Prior to that, Meier had a stint at HypoVereinsbank (UniCredit Bank), the fifth largest German financial institution, in Zurich after spending nine years in fixed income at Credit Suisse.

ASIA EXPANSION

Headquarter in Zurich, UBP managed CHF160.4 billion (US\$234.7 billion) assets as in December and delivered continued growth by launching new mandates ‘with a regional focus’ in Asia in 2021, according to its latest annual report.

The bank’s wealth management arms in Hong Kong SAR and Singapore have set up new teams to increase their footprint in Asia where more than CHF30 billion assets is managed, according to the report. The wealth management business in the region is currently led by Michael Blake, who also acts as the Asia CEO for UBP.

In 2021, the Swiss bank’s net new money totalled CHF5.7 billion, mainly coming from Asia and the Middle East.

‘The number of clients opting for discretionary solutions doubled

PEOPLE MOVES

during the year, and a third of clients now have discretionary mandates, which represent a key part of our value proposition,' stated UBP about the Asian market in the report.

'We intend to continue expanding in Asia, and in particular we are planning to broaden our footprint in mainland China, which now accounts for 60% of the whole Asian market in terms of available wealth,' it wrote.

In September 2021, the private bank hired Wang Chao as its head of wealth management for China, who previously ran the HNW/UHNW business at Taikang Insurance and ChangAn Trust based in Shanghai.

During the past year, other senior hires included Robert Phua, head of wealth planning, South Asia, Anthony Kao, head of advisory solutions, Asia, Wee Ping Nah, Asia CEO for UBP's asset management business, Nicolas Wang, senior equity advisor, Asia Healthcare and Vey-Sern Ling, senior equity advisor, Asia Technology, said the spokesperson.

Last month, UBP announced its partnership with London-based boutique investment manager CRUX Asset Management to strengthen the bank's Asia equity investment offering.

CRUX will advise UBP on the Swiss bank's Asia equity funds and mandates while UBP will provide clients in Asia with exclusive access to the UK firm's alpha-generating equity products.

Monex



The Mexican financial services firm was forced to reshuffle its derivatives and structured products teams following the death of the divisional head.

Monex has restructured its treasury and markets division which houses the derivatives and structured products teams following the passing of **Javier Alvarado**

due to Covid-19. Alvarado (left) had been CEO of Monex Casa de Bolsa and head of treasury and markets at Monex Financial Group since 2010.

Tomás Noriega, ex-head of assets and liabilities management (ALM), has been tapped head of treasury and markets, while Pedro Arroyo has been promoted to Noriega's previous position from head of derivatives trading.

The derivatives team headed by **Ricardo Guido** has bolstered its ranks with the addition of Abel Colín as head of FX proprietary trading and Armando Rodriguez as head of rates. They both report to Guido.

Additionally, Monex has promoted Alan Huitrón, ex-head of

equities, to rates derivatives trader and Alberto Alfie to head of equity derivatives. Louis de Winter and Damián Vera remain as co-heads of derivatives sales and structuring.

Alvarado joined Monex in 2020. Prior to that, he served as CFO of Mifel Financial Group, deputy CEO of Aeromexico and deputy general director of Financial Planning at the Mexican Ministry of Finance.

He was also a board director of the Mexican Association of Brokerage Institutions (AMIB), in which he also participated as honorary vice chairman. He was also a member of the Mexican Committee of Foreign Exchange Markets.

Cboe Global Markets



Cboe Global Markets has announced changes to its senior management team under chief executive officer Ed Tilly as the company enters its next phase of growth.

These changes include the appointment of **David Howson** to the role of president, effective 12 May. Howson, currently executive vice president at Cboe and president for Europe and Asia Pacific, will become president of Cboe Global Markets.

Howson (left) will relocate from London to Chicago to assume his new position and will oversee Cboe's business lines globally, including equities, derivatives, derivatives strategy, FX, data and access solutions, listings and The Options Institute, Cboe's educational arm.

Howson takes over Tilly who has served as Cboe Global Markets' President since January 2019.

Ade Cordell, currently senior vice president and president of Cboe Netherlands, will become president, Asia Pacific and will relocate to the region in the fourth quarter of 2022.

Cordell will continue to report to Howson in his new role, in which he will oversee the business operations of Cboe Australia and Cboe Japan (formerly Chi-X Asia Pacific) and be responsible for the company's further expansion into the region. Cordell will continue to oversee Cboe's European Derivatives (CEDX) business for the remainder of 2022.

In addition, Natan Tiefenbrun (right), currently senior vice president and head of European equities at Cboe, will assume the role of president, Europe. Tiefenbrun will continue to report to Howson in his new role, in which he will oversee Cboe's UK and Amsterdam-based businesses.

Howson has more than 25 years of experience in European and North American financial markets. He joined Cboe in 2017 as part

of the Bats acquisition. Prior to joining Bats in 2013, Howson was a founding employee and chief technology officer of Equiduct, a pan-European Regulated Market.

Cordell joined Cboe Europe in January 2020 as head of business development overseeing its expansion into derivatives. He joined Cboe having spent almost 16 years at ICE where he was the global head of equity derivatives, leading its equity derivatives business development and product teams in London, New York and Chicago. He also worked for Deutsche Bank in London and New York, and for Credit Suisse First Boston in London and Hong Kong.

Tiefenbrun joined Cboe Europe in June 2021 from Bank of America (BofA), where he worked since 2013. He led BofA's agency equities execution services in the EMEA region, including its high touch, portfolio trading and electronic trading offerings. Prior to BofA, he spent four years with the London Stock Exchange Group, most recently as the chief executive officer of Turquoise, a pan-European equities and equity derivatives trading platform.

Barclays



Barclays has appointed of **Corinne Grain** as a managing director in senior relationship management (SRM), focusing on Continental Europe. Based in Paris, Grain (left) will partner closely with SRM, country management and sales teams across the continent to strengthen the bank's offering in Europe, with an emphasis on Barclays' relationships with

the largest insurance companies, asset managers and banks, according to the bank.

She will also collaborate with colleagues in investment banking, international corporate banking and private bank to deliver the full suite of Barclays products to this client set.

Grain has over 20 years of markets experience, and has held a number of senior roles at Barclays between 2001 and 2019, including head of equities distribution EMEA, head of cross asset solution sales EMEA and head of flow rates sales for Core Europe.

In her new role, she will report to Simon Haynes-Oliver, head of senior relationship management, EMEA, and locally to Raoul Salomon, country CEO France and co-head markets, Barclays Europe.

Her arrival is the latest senior hire for Barclays' Paris office, following the appointment of Francois Baroin as chairman, France, Laurent Meyer as vice chairman of investment banking, Europe, and Niels Christensen, head of Nordics equity distribution for Barclays Europe.

Desjardins



Frederic Tremblay has been promoted to managing director, head of investment solutions at Desjardins having served nearly 20 years at the Quebec-headquartered firm. Tremblay (left) is now in charge of the management and development of structured products, mutual funds, exchange-traded funds (ETFs), guaranteed investment funds, annuities and private funds. In addition, he acts as chief operating officer (COO) at Desjardins Investments.

In the new role, Tremblay reports to Guy Cormier, president and CEO of Desjardins Investments. Meanwhile, his previous role as director, equity derivatives and structured products has been succeeded by Benoit Belanger, who joined Desjardins in 2004. Belanger reports to Tremblay.

During his tenure at the Canadian bank, Tremblay started as an advisor in interest rate and liquidity risk management in 2002 before becoming a senior advisor in portfolio strategy and optimisation in 2007 and head of quantitative research in 2013. He was promoted to director, equity derivatives and structured products in 2016.

Citi



Citi today announced that it has appointed **Julia Raiskin** as Asia Pacific head of markets, replacing Stuart Staley who was named co-head of global foreign exchange. Raiskin (left) joins the Asia Pacific executive committee and reports to Peter Babej, Apac chief executive officer, and Carey Lathrop and Andrew John Morton, global co-heads of markets.

In her new role, Raiskin will be responsible for developing and implementing new strategies to improve product delivery to clients, lead senior regulatory relationships, and maintain risk management discipline and culture across the region.

'Markets is a strategic pillar of our broader Apac strategy,' said Babej.

Raiskin was most recently Apac head of equities, where she led the business to significant gains in revenues and in market share, according to the bank.

Since joining Citi in 2007, she has held various Apac roles including head of investor sales & relationship management, head of G10 rates sales, and head of fixed income retail structured products.



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