SRPInsight

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RCB offers capital protection with a twist

Raiffeisen Centrobank (RCB) is marketing two 100% capital-protected certificates in Austria: 1% Dividend Stocks Winner and 1% Dividend Stocks Bond.

The certificates have a maturity of five years, and their return is linked to the Stoxx Global Select Dividend 100 Price EUR index. The former offers 100% uncapped participation in the rise of the index, while the 1% Dividend Stocks Bond pays a fixed coupon of 28% if the index quotes at or above its starting price on 19 November 2028.

Additionally, investors will receive a fixed interest rate of one percent annually on both products.

The current market environment has given RCB the possibility to offer structured products with 100% capital protection, according to Philipp Arnold (pictured), head of structured products sales at RCB.

"In these challenging times, many investors seek a high level of safety for their investments," said Arnold. "We are pleased to be able to utilise the current market to improve the product conditions for our clients."

The underlying Stoxx Global Select Dividend 100 Index combines the highest-yielding stocks from the Americas, Europe and Asia Pacific regions, with 40 components for the Americas and 30 components each for Europe and Asia Pacific.

The index consists of major stocks with high dividend yields and qualifies for diversification, according to Arnold.

"Investors who buy a certificate based on these 100 global companies will ease the volatility in their portfolio compared to single shares investments," he said.

The one percent fixed annual coupon stands for predictability, said Arnold, adding that the additional chance for attractive returns depends on the index evolution over the five-year investment term.

"Investors in the 'Winner' certificate should clearly expect a positive index development and those that invest in the 'Bond' certificate should expect the index to at least perform stable," he said.

Of the nine products RCB currently has available for subscription, three are capital protection certificates, with the remaining products either bonus- or express certificates, which, potentially, put full capital-at-risk.

"As always, risk and reward come hand in hand," said Arnold. "Therefore, higher risk enables the chance to generate higher yields and vice versa.

"Bonus or express certificates – on primary as well as on secondary market – currently provide interesting opportunities, with yields of 6 to 8% pa with comfortable conditional safety buffers of 40, 50 or 60%," he said.

Overall, the bank has 1,465 live certificates with maturities between 14 November 2022 and 23 July 2030 (excluding leverage certificates). Of these, 148 are capital protection certificates; 336 are bonus certificates; 434 are reverse convertible bonds, 48 are express certificates; 406 are discount certificates; and 93 are participation certificates.

"In these challenging times, many investors seek a high level of safety for their investments

BNPP Fortis returns to Belgian market

BNP Paribas Fortis has launched the Callable Note Eurozone 2030 in Belgium.

The eight-year fully protected medium-term note offers 100% uncapped participation in the Eurostoxx 50 index.

The product is issued via BNP Paribas Fortis Funding (formerly known as Fortis Luxembourg Finance and Genfinance Luxembourg), which has the option to call the product annually – from the end of the third year onwards. In that case, the investor receives 100% capital return, plus a coupon of seven percent for each year that has passed.

The note is the bank's first equity-linked structure since June 2021, when it launched the Eurozone Exporters Note 2026/2. The gap in issuance was mainly due to the extreme low interest rates, which made it difficult to offer attractive products to clients, according to Johan De Buyck (pictured), investment services officer, BNP Paribas Fortis.

"[Now rates are increasing] you can expect new emissions on a regular basis," he said.

Whereas past issues were often linked to specific themes such as megatrends (MSCI World IMI Select Trend Accelerators Index) or strategy & factor indices (Solactive Deep Value World MV ex-DA PR Index), this time around BNPP Fortis has opted for the more mainstream Eurostoxx 50 as the underlying index.

"We wanted a product that would be suitable for a wider audience," said De Buyck.

"A benchmark index like the Eurostoxx 50 offers the advantage that it is well-known and easy to follow on several websites known by clients. This provides maximum transparency and comprehensibility for the less experienced investor."

The product features the lookback payoff, with the initial index level equal to the lowest closing level of the index measured over seven monthly observation dates during the first six months after strike (between 28 October 2022 and 28 April 2023).

"We considered that a lookback feature certainly is an important asset, especially in the current uncertain market conditions," said De Buyck, adding that without the lookback payoff, interest in the product would potentially be more limited.

"However, we have the impression that investor interest in these types of investments is still fairly weak due to the pessimism about the stock markets. There seems to be much greater interest in bonds and structured products linked to interest rates," De Buyck concluded.

Although the Callable Note Eurozone 2030 is not a green bond, a small part of the proceeds (i.e. 0.20% of the issued amount) is specifically used to finance agro-ecological transition projects from Farming For Climate, a non-profit association whose target is to actively support the transition of 1,000 Belgian farmers by 2030, in collaboration with retail and institutional investors.

Spectrum Markets onboards iBroker

Spectrum Markets, a German trading venue for securitised derivatives, has partnered with iBroker as its newest European member.

The Spanish online broker specialising in derivatives will extend its current offering to include securitised derivatives, with retail investor clients in Spain and Italy able to trade these via Spectrum.

On joining Spectrum, iBroker will start by adding Turbos to its existing product range, which includes US and European listed futures and options as well as OTC contracts for difference (CFDs) and foreign exchange (FX). Investors will be able to trade these 24 hours a day five days a week on the back of the firm's integrated platforms, including web-based, phone and tablet apps, and integrations with third party charting tools like TradingView or Visual Chart.

'The Spanish market for securitised derivatives has been languishing for far too long, due in large part to inefficiency and high costs, penalising retail investors unnecessarily,' said Nicky Maan (pictured), CEO of Spectrum Markets.

Meleleo adds AMCs to catalogue

Meleleo Consulting has collaborated with Luzerner Kantonalbank (LUKB) for the launch of its first actively managed certificates (AMCs) in Switzerland.

The open-ended certificates are issued on the paper of LUKB and available in three different strategies including conservative, balanced and dynamic allocations. Meleleo is the distributor while CAT Financial Products, a Swiss structured products provider, is investment advisor. Until now, the company had focused on creating capital-protected structured products for insurance brokers and their clients.

"AMCs are better suited to the uncertain and highly volatile market situation in which we find ourselves," said Gianni Meleleo (pictured), founder and managing partner at Meleleo Consulting.

"Our classic structured products do not allow us to change the underlying assets during the term," said Meleleo. "For funds, too, it is more difficult to replace the positions [...] with AMCs, making changes is easy and can be done several times a week or month, if needed."

The AMCs are savings plans, which, like Meleleo's structured products, are also intended for insurance brokers and their end-customers.

"Not every client has the opportunity to invest CHF5,000 in a structured product," said Meleleo.

Through the savings plans, clients can be co-invested from as little as CHF100, which they can place as a one-time deposit or set up monthly via a standing order.

"With these savings plans, we can meet the needs of additional client groups that we were unable to handle in the past," he said.

Depending on the strategy, the AMCs offer access to a weighted basket comprising four main components: cash, fixed income ETFs, equities and alternative investments, a world away from Meleleo's structured products, which are mostly linked to well-known Swiss names such as Nestlé, Novartis, Roche and Swiss Re – companies that are a big part of the Swiss Market Index.

"If we have a client who wants to invest CHF100,000, then he also wants the necessary capital protection, as well as safe, large, domestic underlyings," said Meleleo, adding that the company's structured products are geared towards a more conservative investor.

"[For structured products], our target client is someone who has money on the side and wants to increase it, but mainly wants to have it secured. Thus, this client is less willing to take risks," he said.

The AMCs on the other hand are targeted at a much wider clientele which is more interested in capital accumulation, according to Meleleo.

The company's conservative AMC strategy, for example, has a target allocation of 65% cash and fixed income investments; 30% equities or equity-like investments; and five percent alternative investments. The target allocation is mainly achieved through investments in ETFs, investment funds and structured products.

"Despite the option to invest more conservatively, this is a build-up plan where the client actively tries to generate money by placing new funds from time to time through a standing order," said Meleleo.

"Here we are dealing for the most part with a completely different client group, which is rather prepared to take certain additional risks to expect a higher outcome, return on investment i.e., international underlyings, no capital protection, etcetera," Meleleo concluded.

"AMCs are better suited to the uncertain and highly volatile market situation in which we find ourselves

ING stalwart returns to structured products

ING has appointed Zico Yeh as head of client solutions group (CSG) investment solutions for Europe, Middle East & Africa (Emea) within its Financial Markets business.

Yeh (pictured) will be responsible, among others, for the bank's structured notes and leveraged products offering. He will report functionally to Tim Laureys, global lead equity solutions, and hierarchically to Bernard Coopman, the global head CSG.

He started his new position on 15 November and remains based in Amsterdam.

"In his new role, Zico will further drive the roll out of one of Financial Markets' growth pillars, equity derivatives, structured notes and Sprinters to ING's financial institution clients," a spokesperson for ING confirmed.

Yeh, who has been with ING for more than 15 years, is not new to structured products. As the head of structured investment sales, he was responsible for products for private investors and direct distribution for the Netherlands, Scandinavia, UK and Ireland at the bank between 2013 to 2017.

Prior to that Yeh was vice president structured investments Nordics & Netherlands with a mandate for cross asset sales to institutional investors, private/retail banks, asset managers and other financial institutions in Scandinavia and the Netherlands.

In November 2017, Yeh became a director at ING Wholesale Banking's single family office desk where his responsibilities included equity financing, yield enhancement, stake building and other equity derivative transactions. His most recent role at ING was that of financial markets lead for financial institutions in the Emea region.

ING changed the way it was selling its structured products following a strategy update for Financial Markets, which is part of the Wholesale Banking division, in October 2016 when the bank declared an intention to scale down on their equity derivatives offering.

A notable exception was the ING USD Index Guarantee Note ESG Global Dividend 21-28, which was distributed via Van Lanschot Kempen in the Netherlands.

The seven-year, capital-protected note is denominated in US dollars and participates 100% in the rise of the Refinitiv ESG Global Select Dividend 40 Index, which has been developed by ING and tracks the performance of 40 companies from the Refinitiv Global Developed Market Index that actively invest in and promote environmental, social and governance (ESG) values and principles in the running of their businesses.

The Refinitiv ESG Global Select Dividend 40 Index is the second ING proprietary index that meets several sustainable criteria.

Over the years, the bank has seen a strong inflow in structured products linked to its Solactive Sustainable Europe Low Risk Equity Index.

Earlier this month, Sander van Baren, a former director of investment products at ING, started a new role as director commodity derivatives sales at the bank.

"Yeh will further drive the roll out of one of Financial Markets' growth pillars, equity derivatives, structured notes and Sprinters to ING's financial institution clients

Amundi sees structured products outflows slowdown, AuM reaches €28 bn

Amundi has posted an adjusted net income of €282m in the third quarter of 2022 – an increase of five percent compared to the previous quarter (Q2 2022: €269m).

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In retail, business activity was solid in the French networks, with positive flows of €500m in medium/long term (MLT) assets driven by active management and real assets, and a significant slowdown in outflows from structured products (-€200m).

The latter can partly be explained by the falling number of structures being autocalled in Q3 2022 as, according to SRP data, only one Amundi-issued product, LCL Optimium Vie Tour 2018, was subject to early redemption in what was a difficult period for the financial markets.

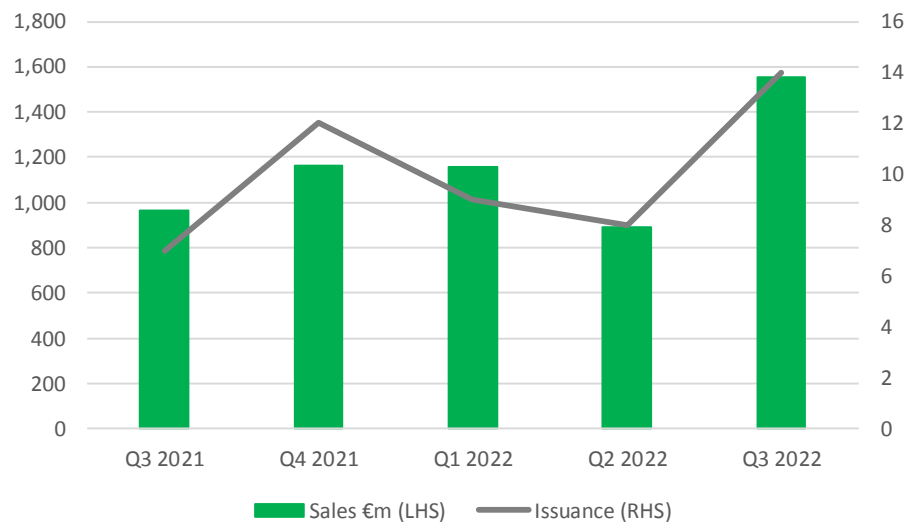
The six-year note, which sold €147.5m at inception, knocked out at the second opportunity, returning 130% to investors (6.88% pa). By comparison, 16 Amundi products had autocalled in the same quarter last year.

Amundi issued 14 structured products worth an estimated €1.6 billion in France during Q3 2022 – up almost 75% by sales volume from Q2 2022 when €890m was collected from eight products, and a 61% increase compared to the prior year quarter (Q3 2021: €963m from seven products).

Products launched this quarter were exclusively linked to single indices, of which those linked to the Eurostoxx 50 gathered the highest sales: €650m from four products.

The remaining structures were all linked to decrement indices, including, among others, the Euro iStoxx 50 GR Decrement 3.75% Index (€270m from two products), Euro iStoxx 50 Decrement 5% Index (€265.95m from three products), and Euronext CDP Environment Eurozone EW Decrement 3.75% Index (€100m from one product).

Amundi: sales & issuance of structured products in France



Source: StructuredRetailProducts.com

Amundi's international networks posted positive flows of €1.4 billion in MLT assets with strong activity in Italy, Germany and Spain and robust inflows from structured products in those markets.

The company's assets under management (AuM) totalled €1.9 billion at 30 September 2022, up 4.7% year-on-year and down 1.5% from end-June 2022.

Structured products were at breakeven in Q3 2022 – an improvement from the previous quarter which saw outflows of -€1.6 billion – bringing AuM to €28 billion at the end of September 2022, down from €35 billion one year ago.

Passive management, which comprises exchange-traded funds (ETFs), exchange-traded commodities (ETCs), index funds and smart beta strategies, posted outflows of -€3.8 billion, despite good ESG ETF inflows and positive inflows in index-based management.

Outflows were attributable to the de-risking prevailing among institutional investors and third-party distributors.

However, over 9M 2022 inflows were positive at €7.5 billion. End-September 2022, total AuM for passive management reached €275 billion compared to €187 billion end-September 2021.

In ETFs, while the start of the year was particularly promising, the market experienced a slowdown in a general climate of de-risking. Positive flows in active management of €1.1 billion were driven by equities and bonds.

UK, Swiss firms team up to launch 'iconic art' AMC

UK fractional art investment platform Mintus has signed a partnership agreement with Amicorp Group's wealth management company, Amergeris, to offer access to shared ownership of iconic art to the clients of private banks, family offices and wealth managers.

Mintus, the first FCA authorised company to launch and scale art fractionalisation in the UK, is seeking to expand exposure to investors across Europe, the Middle East and Asia with the help of Amergeris Wealth Management, a licensed Swiss investment manager which will structure the investment products for Mintus.

Mintus launched in Q2 2022 an investment platform, backed with industry leading art and financial expertise, to offer investors a way to buy shares and invest in high-quality, difficult to access, multi-million-pound contemporary artworks.

The company has a pipeline of US$150m of investment quality paintings from artists such as Andy Warhol, George Condo, Jean-Michel Basquiat, David Hockney, Pablo Picasso, and René Magritte.

Qualified Investors can buy shares in a fund that owns the individual paintings directly at Mintus or get exposure to a diversified portfolio, made up of all the artwork on the Mintus platform, via the Mintus Art Strategy, an actively managed certificate (AMC) available to wealth managers and financial institutions.

'In this challenging inflationary environment, art investments provide strong portfolio diversification, inflation hedging attributes and strong capital preservation capabilities due to its uncorrelated nature to equities,' said Remko van Ekelen, CEO of Amergeris. 'Mintus' offering strips out the extra costs and frictions generally associated with investing in art and makes it a very viable alternative asset class for our clients.'

Tamer Ozmen (pictured), founder and CEO of Mintus said: 'Fractional ownership of art, enabled through investing in the shares issued by an investment vehicle which in turn owns the art, provides enhanced portfolio diversification and risk-adjusted returns for investors together with the unique opportunity to invest in some of the world's greatest paintings at a fraction of their overall value.'

This is the first of several planned major partnerships with private banks and other wealth managers to provide investors 'with access to shared ownership of exceptional investment grade art and tapping into the ever-increasing drive for portfolio diversification through alternative assets,' said Ozmen.

Swiss association keeps growing, adds new buy-side member

The Swiss Structured Products Association (SSPA) has expanded its ranks with the addition of Mirabaud as a new buy-side member.

With the admission of the independent asset manager, there are now nine representatives on the SSPA's buy-side (including four buy-side issuers), and the membership base has been expanded to a total of 43 members across the entire value chain, from issuers to trading platforms and buy-side to brokers and partners.

Mirabaud was founded in 1819 and offers wealth management, asset management and corporate finance services.

Mirabaud's highly personalised and premium services combine its long-standing tradition with innovative approaches. Among its 16 offices based in ten countries, in Switzerland, Mirabaud operates out of Geneva, Zurich and Basel.

Mirabaud is the latest addition to the SSPA and follows Morgan Stanley which joined the Swiss trade body as a new member in Q1 2022. The SSPA represents over 95% of the country's market volume and now numbers 44 firms across the entire value creation chain, from issuers to trading platforms and buy-side to brokers and partners.

Goldman scales back retail business

The US bank has announced a reshuffling of its business lines and merged its investment bank with its trading division bringing asset and wealth management.

Goldman Sachs has announced a revamp of its operating segments which will see a reduction from four divisions to three – Asset & Wealth Management, Global Banking & Markets and Platform Solutions. The US bank is bringing asset and wealth management together again after separating them in 2019.

The bank is also pulling back from retail banking and has announced that the technology underpinning its consumer finance unit Marcus will now be embedded into the unified asset and wealth management division 'given the growing convergence of wealth and consumer banking'.

'Changes will further strengthen our core businesses accelerate our ability to scale the growth platforms and improve efficiency,' said CEO David Solomon during the presentation of Goldman's fourth quarter results. 'We are excited about the role that asset and wealth management will play in our forward growth plans across asset and wealth management. We are operating a fully scaled and integrated franchise providing advice, solution and solutions and execution for institutions and individuals across both public and private markets.'

The US bank will also create a new segment called platform solutions that will consolidate its fintech platforms from across the firm, including transaction banking, consumer partnerships, and loan origination fintech GreenSky which was acquired in 2021.

'This segment will enhance our focus on building platforms that deliver digital financial services capabilities to corporate and institutional clients,' said Solomon.

Running these businesses together will allow Goldman to drive towards its US$10 million and US$2 billion management fee targets.

> **"New platforms solutions unit launched**

Solomon said the bank will continue to bolster its position as a market maker and risk intermediary for in markets across the globe and leverage the synergies across global markets and investment banking to meet clients demands.

'Synergies across these businesses from advice, financing risk distribution and hedging allows us to deliver differentiated solutions to our clients,' he said.

VISUAL STRUCTURING

The announcement comes on the heels of the launch of Visual Structuring, a new pre-trade analytics tool aimed at helping institutional clients to streamline workflows for options analysis.

Offered via Goldman Sachs' Marquee platform, the new functionality offers 'a visual, dynamic, and intuitive way to discover derivatives prices'.

The tool which supports a wide range of option structures, combines all the information that traders need in option price discovery into a single chart view that is easily shareable. Starting with FX options, Visual Structuring provides a mobile-first way to quickly price variations, assess scenarios, run back-testing analysis, and collaborate with colleagues wherever they are.

According to the US bank, much of the historical focus of technology providers to the buy-side has been on optimising the point of execution.

However, most of a trader's time is spent during the ideation process - pricing different trade variations, assessing scenarios and back-testing to determine historical performance of a strategy, monitoring of current positions and considering restructures or hedges.

'Visual Structuring aims to create a new paradigm in options trade idea generation; a new language of derivatives trading,' said Chris Churchman (pictured), head of Goldman Sachs Marquee. 'Instead of spreadsheets, emails and chat, we wanted to build a mobile-first analytics and collaboration platform that revolutionises the way that people think about options.'

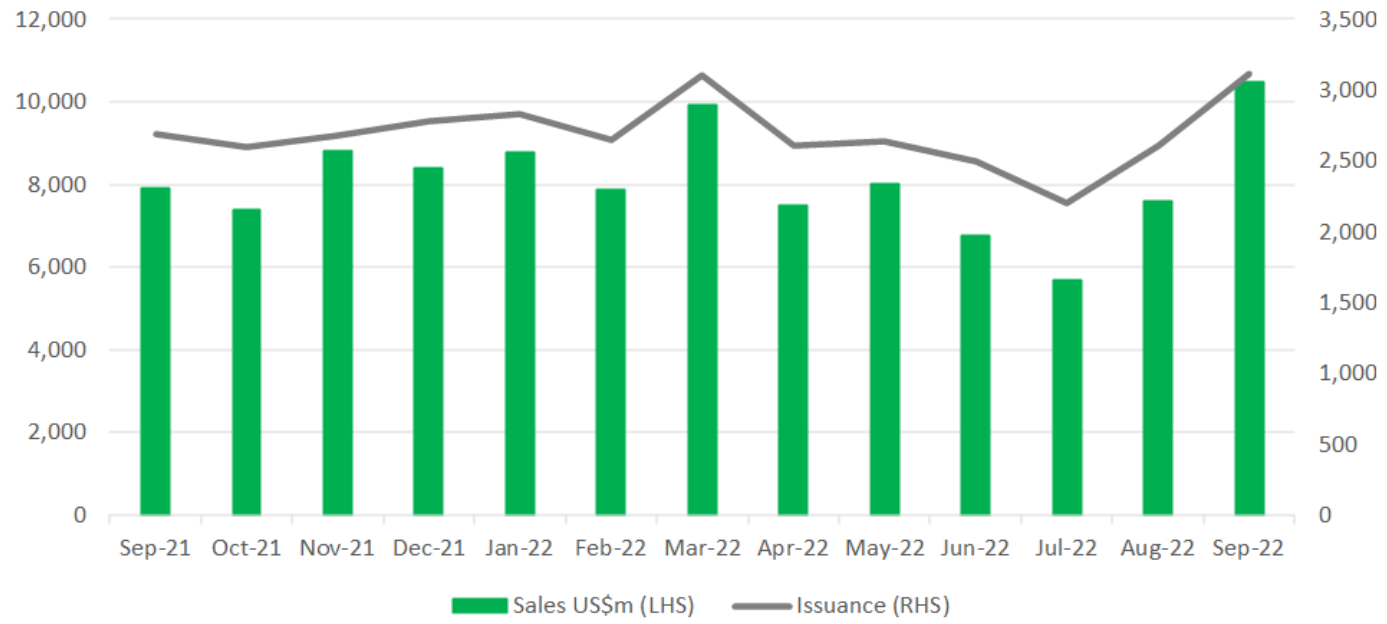
SRP data shows that J.P. Morgan took over Goldman as the number one issuer group in the US retail market in the first nine months of 2022.

The US bank has more than 4,450 live tranche products worth US$15.9 billion and almost 55,000 flow/leverage products with US$4.4 billion outstanding.

US September 2022: sales top US$10 billion for the first time

A record-breaking month in the US as sales of structured products surpassed the $10 billion barrier for the first time.

US: monthly issuance and sales from Sep 2021 to Sep 2022



Source: StructuredRetailProducts.com

Some 3,107 structured products worth $10.7 billion had strike dates in September – the highest ever monthly sales volume, according to SRP data.

Sales were up 35% year-on-year (YoY) and up nine percent from the previous high of $9.9 billion (from 3,105 products) registered in March 2022. As of 30 September, $72.9 billion has been invested in 24,258 structured products sold in the US market.

By comparison, the ETFs industry in the US gathered $25.9 billion in net inflows during September, bringing year-to-date (YTD) net inflows to $412.1 billion, according to the latest figures from ETFGI.

Citi was the number one issuer group, claiming a 16.5% share of the US market, just ahead of J.P. Morgan in second (16.2%).

The former collected $1.8 billion from 521 products that were issued through its Citigroup Global Markets vehicle. Citi's volumes, which were up 46% YoY, came mainly from equity-linked products – clients favoured single indices and baskets of indices, with combined sales of $498m and $723m, respectively.

J.P. Morgan achieved sales of $1.7 billion from 775 products – an increase of 72% compared to September last year. Most of its structures were equity-linked, like Citi, with products on single indices collecting the highest volumes ($803m from 287 products).

Goldman Sachs, in third place with a market share of 12.6%, registered a 50% rise in sales volumes. It accumulated $1.3 billion from 358 products (Sep 21: $899 from 279 products).

Other active issuer groups during the month included Morgan Stanley ($1.2 billion/370 products), Barclays ($1 billion/197 products), Bank of America ($564m/97 products) and HSBC ($554m/125 products). The latter's offering included nine products from BofA Securities that sold a combined $310m.

Three Canadian issuers, Royal Bank of Canada (RBC), Scotiabank and Toronto Dominion Bank completed the top 10.

Six of the 10 best-selling products for September were linked to the S&P 500, including Accelerated Return Notes (40439N379), a joint effort from the

aforementioned HSBC/BofA Securities, which sold $146.5m.

Morgan Stanley's Cash-Settled Notes (61774HGY8) on the common stock of Target Corporation was the highest selling structure linked to a single stock.

The capital protected note, which was aimed at institutional investors, achieved sales of $88m, slightly more than J.P. Morgan's Cash-Settled Notes (48133MDL1) on the share of Amazon that sold $87.4m.

The shift towards products linked to single indices continued, mainly at the expense of products linked to single stocks and ETFs. In September, they collected $4.5 billion (from 1,006 products) thereby increasing their market share to 41.7% - up 17.9% YoY.

Volumes for products linked to an index basket also increased, from $2.7 billion to $3.9 billion, although their market share remained relatively stable.

September also saw two inflation-linked products, the first in this asset class since March 2019. Both products were issued on the paper of Citigroup Global Markets and participate 250% and 425%, respectively, in the upside performance of the US Consumer Price Index.

The S&P 500 once again dominated the market. It was used as the underlying in 1,697 products worth $6.9 billion – a 1.25 fold increase in sales compared to September last year ($3.1 billion from 850 products). Some 758 products that sold a combined $3.5 billion used the index on its own, with the remaining $3.4 billion collected from products were the S&P was part of a basket, often including the Nasdaq 100, Russell 2000 and/or DJ Industrial Average Index.

The shares of Amazon and Tesla, with sales of $155m and $139m, respectively, where the only shares in the top 10 while the highest-ranking ETFs were the SPDR S&P 500 ETF Trust ($293m) and Invesco QQQ Trust Series 1 ($107m).

The average maturity was 2.62-year with the longest tenor, at just over 10-years, offered by J.P. Morgan's Trigger Growth Enhanced Asset Return Securities (48133H283) on a weighted basket comprising Eurostoxx 50 (40%), Nikkei 225 (25%), FTSE 100(17.5%), Swiss Market Index (10%) and S&P/ASX 200 Index (7.5%).

The shortest duration was offered by Citi whose Dual Digital Securities (17330U231) on the worst-of S&P 500 and SPDR Gold Shares had a maturity of eight weeks and three days.

Slowly but surely the number of products offering full capital protection, boosted by the rising interest rates, is increasing.

In August, some 221 products worth $651m provided 100% capital protection (Sep 21: US$95m from 54 products) while there were also five products (US$10m) that promised a return above 100% against none in September last year.

Indexed annuities claim record-breaking quarter

For the second consecutive quarter, annuity sales reached new heights. In the third quarter 2022, total annuity sales were US$79.6 billion, a 27% jump from prior year results, according to Limra's U.S. Individual Annuity Sales Survey. 'Continued equity market declines and rising interest rates drove investors to continue seeking protection and purchase fixed-rate deferred and fixed indexed annuities at record levels in the third quarter," said Todd Giesing, assistant vice president, Limra Annuity Research. 'Our forecast suggests that protection products will continue to propel growth in the annuity market for the next several years.'

Third quarter fixed indexed annuity (FIA) sales were US$21.4 billion, a 25% increase from 2021, breaking the previous quarterly sales record of US$20 billion set in the second quarter 2019. Year-to-date (YTD), FIA sales were US$57.4 billion, a 22% increase from last year. 'Rising interest rates will allow insurers to improve crediting rates while protecting the principal investment from equity market volatility, making these products more attractive to investors for the foreseeable future,' noted Giesing, adding that Limra projects 2022 FIA sales to reach as high as US$76 billion and increase each year through 2026.

Registered index-linked annuity (Rila) sales improved 13% in the third quarter, to US$10.5 billion. In the first nine months of 2022, Rila sales were US$30.9 billion, 9% higher than prior year. 'FIA's growth has come at the expense of Rila product sales,' said Giesing. 'After three years of more than 30% annual growth, LIMRA is projecting Rila sales to be flat or under 5% in 2022.'

Traditional variable annuity (VA) sales continued to struggle. In the third quarter, traditional VA sales fell 37% to US$13.7 billion, the lowest quarterly results since the third quarter of 1995. Total fixed-rate deferred annuity sales were US$29.8 billion in the third quarter, 159% higher than third quarter 2021 sales.

Limra also reported that income annuities have rebounded to pre-pandemic levels - single premium immediate annuity (SPIA) sales were US$2.5 billion in the third quarter, a year-over-year increase of 58%; while deferred income annuity (DIA) sales rose 18% to US$600 million.

Cboe, S&P DJI partner to launch dispersion play

The new index is the first strategy developed by Cboe's new tradable products and services division, Cboe Labs. Cboe Global Markets and S&P Dow Jones Indices (S&P DJI) will collaborate to develop the Cboe S&P 500 Dispersion Index.

The new volatility-related index is designed to provide representation of implied dispersion for the S&P 500 Index and aims to help investors better understand portfolio diversification benefits and implement dispersion trading strategies.

Similar to the way that the Cboe Volatility Index (VIX index) represents implied volatility of the S&P 500, the Cboe S&P 500 Dispersion Index is intended to represent the implied dispersion among S&P 500 constituents over a one-month horizon, based on the prices of single stock and index options.

In practice, dispersion measures both the opportunity set for individual security selection within a portfolio, as well as the potential diversification achieved by their combination.

'Dispersion is recognized as one of the fundamental metrics of market risks. Unlike related measures of volatility, there hasn't yet been a simple, tradeable, and standardised index that enables market participants to hedge and express their views on dispersion in the US equity markets,' said Tim Edwards, global head of index investment strategy at S&P Dow Jones Indices.

Cboe has also announced the formation of Cboe Labs, a new division dedicated to the creation, development and implementation of new tradable products and services - the Cboe S&P 500 Dispersion Index is first concept developed by Cboe Labs.

Cboe plans to develop a futures product on the index to be listed on Cboe Futures Exchange, subject to finalisation of the methodology and regulatory review.

UBS favours downside protection

The Swiss bank's chief investment office (CIO) believes that market-linked certificates of deposit (MLCDs) and market-linked notes (MLNs) in the US are 'especially effective as a part of a bond ladder in [investors'] liquidity strategy, where assets are earmarked for spending over the next three to five years', stated UBS on its investment strategy insights on 11 November.

The primary objective for investors in the current market environment should be capital preservation with return being a secondary consideration.

With higher starting yields and lower equity valuations, the medium-term outlook for both stocks and bonds has improved.

Since the launch of the 'enhancing liquidity strategy return potential with MLCDs and MLNs theme' in March 2021, structured investments with downside protection have helped it outperform both stocks and bonds.

'With higher starting yields and lower equity valuations, the medium-term outlook for both stocks and bonds has improved,' stated the bank. 'Even so, these investments still carry the risk of significant capital losses over a shorter time horizon.'

SRP registers 6,493 live retail structured notes issued by UBS in US with a total traded notional of US$12.6 billion. Majority of them were distributed in-house while the remaining by 14 other banks.

ICE expands EQD catalogue with new FTSE 100 TRFs

Intercontinental Exchange (ICE) has announced that it plans to launch a FTSE 100 Index Total Return Future (TRF) on 14 November 2022, subject to regulatory approval.

The ICE FTSE 100 Index TRF seeks to replicate the theoretical returns on a FTSE 100 index total return swap in a more cost-efficient and transparent way, allowing participants to manage or gain exposure to the FTSE 100 index, including its market and dividend risk, without owning the cash underlying.

The TRF contract adds to ICE's FTSE index franchise, which offers the largest pool of FTSE derivative open interest globally with a notional equivalent of more than £180 billion (US$203m), and a participant base of more than 170 companies across 17 countries - ICE offers futures and options on the FTSE 100, FTSE 250 and FTSE 100 Dividend Index

ICE FTSE futures are approved by the U.S. Commodity Futures Trading Commission (CFTC) and can be traded directly by US-based market participants.

With the new TRFs, investor will be able to access the 'existing liquidity across ICE's FTSE-linked product portfolio as well as the margin offsets available', said Shawn Creighton (pictured), director index derivatives solutions at FTSE Russell.

Nasdaq, S&P Global launch custom basket calculation service

Nasdaq has launched the Nasdaq Custom Basket Calculation Service (CBCS) in collaboration with S&P Global Market Intelligence in response to increasing demand for a simpler and more efficient way of managing proprietary indexes, thematic baskets, and ESG investments.

CBCS allows users to design and set up equity baskets with customised features such as currency, return type, composition, and weights from a pre-approved universe of stocks. The calculated basket level and reference data is validated and distributed along with daily basket weight reports.

'The ability to generate on-demand listed exposure for equity portfolios will introduce an exciting change in the trading vehicles available to consumers, and to the speed at which the customer demand can be satisfied.' said Christopher Hare (pictured), executive director at S&P Global Market Intelligence.

Through the new service, Nasdaq clients will be able to calculate the basket level for each basket, managed and verified corporate actions such as stock splits, dividends, mergers and acquisitions and the implementation of these changes into the defined baskets in a 'timely and accurate way'.

'With CBCS, our clients get a fully managed solution for custom basket calculations, an outsourced calculation service to avoid conflict of interest by separating the calculation from the end-user's own business,' said James McKeone, VP head of European data at Nasdaq.

McKeone said the exchange also has plans to launch a solution in the near future enabling 'investors to create a forward contract on customised baskets as an alternative to OTC equity swaps'.

Private equity derivatives platform eyes structured pre-IPO investment products

US private equity derivatives platform for institutional investors Caplight Technologies has secured a strategic investment from Deutsche Börse Group.

With this raise from Deutsche Börse, Caplight has now raised US$10 million, including a US$5 million seed round led by Better Tomorrow Ventures that was completed in January of 2022. Other investors include Fin Capital, Susquehanna Private Equity Investments, LLLP, and Clocktower Ventures.

The funding gives Caplight additional resources to serve the multi-billion private market – the fintech will explore collaboration opportunities with Deutsche Börse's derivatives exchange subsidiary Eurexto bring structured pre-IPO investment products to the global financial markets.

'Until now, the VC asset class has existed 'long only', meaning no ability to hedge or make directional investments,' said Javier Avalos (pictured), CEO of Caplight.

Caplight's platform offers institutional investors price discovery tools as well as hedging, income generation, shorting, or investment strategies on private company stock. The firm completed the first ever call option on private company stock earlier this year.

'Valuations of private pre-IPO companies have grown significantly over the last decade, a trend we expect will continue,' said Michael Peters, CEO of Eurex. Venture capital-backed private companies represent over $3.8 trillion in value across over 1,000 companies, according to CB Insights.

MSCI rolls out digital assets index suite, launches taxonomy framework with Goldman

The index provider is seeking to contribute to the creation of a 'consistent and standardised' framework to evaluate the digital assets market and create new products.

MSCI has launched of new suite of digital-asset indexes to help investors evaluate sources of risk and return opportunities across the global digital-assets ecosystem.

The new indices seek to track the performance of the largest digital assets by market capitalisation; digital assets that use ex-proof-of-work blockchain consensus mechanisms; and digital assets associated with technology platforms supporting smartcontracts.

"While current multi-coins indexes are market-cap weighted, MSCI has developed digital asset indexes based on investor demand and interest across climate impact and usage of the tokens," Stephane Mattatia (pictured), global head of thematic indexes and derivatives licensing at MSCI.

"Many of the current structured products rely on a single token. These new blended indexes are available for structured products, as well as exchange-traded funds and other types of offerings of asset managers, asset owners and wealth managers. The purpose of products linked to these indexes would be primarily to facilitate the ease of access to specific markets of the digital assets ecosystem."

The new suite has been built in collaboration with Menai Financial Group, a provider of institutional-grade digital-asset investment products and trading services and will consist of a blend of single-digital-asset indexes designed and published by Compass Financial Technologies, the Swiss firm specialised in the design, calculation and publication of market benchmarks, financial indexes, and quantitative investment strategies.

"The digital assets ecosystem is evolving rapidly along with investor demand for tools and solutions to help navigate this new asset class," said Mattatia. "Global investors are looking for greater transparency and insight into these markets and how best to participate in them in a manner that meets their high standards for professionalism, scale, risk management, and security."

The launch of the new suite of indexes is part of MSCI's drive "to bring clarity to diverse asset classes and to create solutions that capture long-term, disruptive investment trends".

GOLDMAN SACHS, COIN METRICS

The new benchmarks will use datonomy, a new classification system for the digital assets market launched by MSCI, Goldman Sachs and Coin Metrics which group coins and tokens based on how they are used.

The new framework has been developed to provide investors, service providers, developers, and researchers a way to help monitor market trends, analyse portfolio risk and returns, review portfolio performance and reporting, and help build new products.

This new data service will enable trend tracking across different industries, such as Smart Contract Platforms and Decentralized Finance (DeFi), screen assets by a range of different filters based on their objectives and understand aggregated properties of these assets at a portfolio level.

"We are leveraging our general experience of what's worked in equities classification systems to offer an efficient investment tool helping clients to understand digital asset trends, identify investment opportunities, and measure the exposure of their portfolios by sector to uncover drivers of performance and risk," said Mattatia.

According to Mattatia, the new service can be leveraged by market participants interested in tracking major industries in digital assets.

"It can be a fit for institutional clients who intend to or currently manage portfolios containing digital assets, as well as financial technology, indexing, trading, and asset management firms that want to create benchmarks and/or investable products that track market sectors or other attributes from the classification," he said. "Recent market volatility has created an increased need for enhanced performance tracking and risk management."

Anne Marie Darling, head of Marquee client strategy and distribution at Goldman Sachs, said: 'Given our commitment to providing developer services, and as a trusted data analytics provider to our institutional clients, creating reliable data services for the emerging digital asset community is a strategic focus and natural extension to our existing business.'

Datonomy is available as a direct data subscription feed from Goldman Sachs, MSCI, and Coin Metrics – the three firms will be members of an advisory board that will maintain the new service.

HSBC PB to offer structured products on new advisory service in Asia

The new service will be extended to eligible retail banking customers in Hong Kong later this month.

HSBC Private Bank has launched Prism Advisory, a portfolio level service targeted at its Asian private banking clients, in a partnership with BlackRock Aladdin.

Available to private banking clients booked in Hong Kong SAR and Singapore, the advisory service features data-driven analytics alongside guidance from advisors. Prism Advisory is powered by Aladdin Wealth, a risk platform developed by BlackRock.

The new service will be extended to eligible retail banking customers in Hong Kong later this month, according to the UK bank.

“Prism is a portfolio-level advisory and investment service. As such, the investment advice a client receives may include specific product recommendations including structured products and is based on a holistic portfolio view according to the client’s objectives and risk appetite,” a spokesperson at the bank told SRP.

The new service enables investors to optimise their portfolio using chief investment officer (CIO) model portfolios, which are anchored by HSBC global private banking’s (GPB) strategic asset allocation and incorporate the chief investment office’s tactical and thematic views.

'In an increasingly complex world, our clients look to us for personalised and proactive advice to help them navigate markets, maintain portfolio health and identify suitable investments,' said Siew Meng Tan (pictured), regional head of GPB, Apac.

With the advisory service, investors can also customise a model portfolio to express their personal views and objectives and, working with an advisor, build a portfolio from the ground up using a bespoke asset allocation capability.

The ‘always-on’ function monitors the portfolio 24/7, providing notifications about portfolio health and actions for the client to consider.

Prism users will receive alerts on portfolio risks and opportunities via their mobile device and deliver personalised advice through an HSBC advisor, who can use the platform’s analytics to ‘ascertain how an action would impact the portfolio relative to the client’s objectives,’ stated the bank.

With a wealth projection function, investors will also be able to plan for their long-term goals by simulating potential returns on their portfolio and examine the potential strengths and weaknesses of their portfolio by testing how it could react to certain market conditions and specific historical and potential scenarios, leveraging 50 different available stress tests, such as the impact of persistently high or easing inflation.

'HSBC Prism Advisory is a primary example of how we are combining innovative digital platforms with advisor-led expertise to construct investment portfolios that truly reflect our clients’ unique objectives,' added Stefan Lecher, regional head of investments and wealth solutions, Apac.

The launch of the new service comes after HSBC and BlackRock signed a deal to offer the Aladdin Wealth platform to the bank’s private banking clients back in April 2019 – the new service adds to the bank’s investment services, which have included Prism managed investment solutions and execution-only services.

This was followed by the launch of HSBC Wealth Portfolio Plus which leverages technology provided by BlackRock’s Aladdin Wealth platform in Singapore in Q1 2020.

In Asia, HSBC GPB has invested over US$200m in the past four years to build its core banking and digital platforms, according to the bank. The division sits under the wealth and personal banking (WPB) business which reported a 25% rise in revenues to US$6.3 billion in the third quarter of 2022 despite a decrease of wealth revenue.

In China, HSBC WPB is pitching its maiden equity-linked investments with zero capital protection, as SRP reported.

There are 1,837 listed and non-listed structured products issued by HSBC in Asia since October - Hong Kong SAR (1,716), Taiwan (75), China (42), and two each for Malaysia and Japan.

Singapore pilots blockchain-transacted structured products

The Monetary Authority of Singapore (MAS) has launched a new industry pilot in wealth management with HSBC, UOB and Marketnode collaborating to enable native digital issuance of wealth management products.

HSBC and United Overseas Bank (UOB) have partnered to test the digital issuance of wealth management products via distributed ledger technology (DLT) infrastructure provided by Markenode, a joint venture between the Singapore Exchange (SGX) and Temasek, according to a statement released by the financial regulator today (2 November).

The asset tokenization trial, which is part of 'Project Guardian' launched by the Singaporean government in May, aims to fully digitalise the end-to-end value chain from issuance, securitisation and distribution to asset servicing of products such as structured notes and actively managed certificates (AMCs).

'With asset tokenisation, customers will find it easier to create structured products with the bank and enjoy an improved process,' said Leong Yung Chee (pictured), head of blockchain & digital assets at UOB.

Last June, the Singaporean bank became the first financial institution issuer in Singapore partnering with Marketnode to experiment with tokenised bond issuances using blockchain technology in parallel with traditional processes, Yung Chee added.

As part of the collaboration between MAS and the financial industry, the project features pilot use cases in four main areas: open and interoperable networks, trust anchors, institutional grade decentralised finance (DeFi) protocols and asset tokenisation.

Richard Godfrey, global co-head of securities services and securities financing at HSBC, said the test issuances 'take the tokenisation of financial and real economy assets one step further into wealth products'.

'This project builds on our capabilities in distributed ledger technology and presents an opportunity to introduce a new phase for accessible wealth management products,' said Godfrey.

Back in November 2019, HSBC Singapore announced a partnership with SGX and Temasek to explore the use of DLT for the issuance and servicing of fixed income securities a the first such end-to-end digitalisation initiative focusing on the Asia bond markets.

'In partnership with HSBC, we look to add to variety and accessibility of digital assets into the ecosystem through addition of wealth management products, thus expanding upon our existing digital initiatives in the funds and fund registry space,' said Lee Beng Hong, director at Marketnode and head of FICC at SGX Group.

The latest partnership in wealth management was revealed after the first industry pilot under the Project Guardian that explores potential DeFi applications in wholesale funding markets completed its first live trades - a cross-currency transaction involving tokenised JPY and SGD deposits.

As part of the project, DBS Bank, J.P. Morgan and SBI Digital Asset Holdings also executed foreign exchange (FX) and government bond transactions against liquidity pools comprising of tokenised Singapore government securities bonds, Japanese government bonds, Japanese Yen and Singapore Dollar.

The live transactions demonstrate that cross currency transactions of tokenised assets can be traded, cleared and settled instantaneously among direct participants, according to the regulator. This will free up costs involved in executing trades through clearing and settlement intermediaries, and the management of bilateral counterparty trading relationships as required in the over-the-counter (OTC) markets.

'More industry pilots have been launched to test the application of asset tokenisation and DeFi across a broader range of use cases in the financial sector,' stated the regulator.

These include an initiative in trade finance led by Standard Chartered Bank, which will focus on the issuance of tokens linked to trade finance assets.

'The project aims to digitise the trade distribution market, by transforming trade assets into transferable instruments that are more transparent and accessible to investors,' stated MAS.

HSBC debuts capital at risk equity deposit, adds to Ying+ series in China

The UK bank has deployed an alternative to principal-protected structured deposits aimed at Chinese retail investors.

HSBC has issued its first equity-linked investment (ELI) with zero capital protection in China following a one-year development.

With a six-month tenor starting from 2 November, the first tranche of the Feng Rui - CNY Convertible Non-Principal Protected Structured Deposit 6-001 (丰瑞系列 -人民币可转换非保本结构性存款产) struck on 31 October after a three-day subscription period. The new product offers an annualised coupon of four percent to 14%, indicative at 9% as of 24 October.

The prolonged low interest rates in China makes it challenging to provide competitive pricing for principal-protected structured deposits

"The launch marks the first equity-linked structured deposits with no capital protection at HSBC China," an HSBC spokesperson told SRP without disclosing the traded notional. "The prolonged low interest rates in China makes it challenging to provide competitive pricing for principal-protected structured deposits.

"In addition, the recent volatility of the H-share market allows ELIs to offer attractive pricing at this point of time."

Linked to the H-shares of Tencent and Alibaba, the ELI required a minimum investment amount of CNY1m (US$138,000) and features 100% autocall trigger level and monthly valuation dates. The knock-in level range from 48% to 68%, indicative at 58% as of 24 October. If a knock-in event occurs and the final

level of the worst performing underlying is lower than the conversion strike level, which was indicative at 87% as of 24 October, the product which comes with a 0.5% transactional fee and a product maintenance fee, will be automatically converted to the underlying shares and. The product is hedged in-house.

The new offering is aimed at investors with a 'speculative' risk profile and has two years or more of investment experience, according to the bank.

"The concern shared by investors is about the market entry timing amid the high equity market volatility," said the HSBC spokesperson. "The derivatives pricing for non-principal-protected structured deposits has a greater impact to the pricing offered to investors, which requires more updated quotes."

HSBC spent around one year to develop the required systems including end-to-end trading, operation flows and client journey, and will continue to improve the ELI terms with an aim to provide tailor-made ELI structures in 2023.

The ELIs, which are known as 'snowball', have gained great traction among retail and corporate investors in China since 2021. The autocall market has been dominated by local security houses with an estimated outstanding balance of approximately CNY111 billion as of April, mainly tracking the CSI 500 Index or CSI 300 Index.

Shortly after the first launch, the bank traded another tranche with a 12-month tenor on 31 October, featuring the same autocall and coupon levels. The knock-in level and the conversion strike level were indicative at 55% and 85%, respectively.

Two more tranches were open for subscription over the past week with investment periods of six or 12 months. All the four products track the H-share underliers of Tencent and Alibaba.

The addition of new payoff for structured deposits comes after HSBC rolled out the 'Ying+' series, or generic growth, which are deployed with an uncapped call offering partial principal protection in January 2021.

As of today, HSBC China offers another six types of on-shelf structured deposits, comprising Asian up-and-out, daily accrual, absolute performance, outperformance, EU digital and autocallable. The UK bank has issued 346 structured deposits denominated in Chinese yuan or US dollars year-to-date, translating to a decrease from 411 in the prior-year period, SRP data shows.

They're linked to a total of 42 underlier names led by China AMC CSI300 Index ETF (HKD), Tencent, Morningstar Exponential Technologies ESG Screened Target Volatility 7% Index, Tracker Fund of Hong Kong and Heath Care Select Sector SPDR Fund.

> "Pricing for principal-protected structured deposits in China is challenging

South Korea's DLS post record outstanding balance

The outstanding balance of derivative-linked securities (DLS) and derivatives-linked bonds (DLBs) reached a two-year high at the end of Q3 2022.

The balance amounted to KRW31.6 trillion (US$22.3 billion) on 30 September, up 16.2% year-on-year (YoY), or an increase of 7.8% quarter-on-quarter (QoQ). It represented an 8.6% decline from the peak seen last time at the end of Q1 2020, according to the Korea Securities Depository (KSD).

By underlying type, the Kopsi 200 and HSCEI contributed to KRW753.5 billion and KRW633.3 billion, respectively. The outstanding balance of Kospi 200-linked products has been growing steadily from June to August before a slight decline in September, according to the report.

The outstanding balance of HSCEI-linked products, on the other hand, slid to a record low throughout the quarter from KRW5.02 trillion as at the end of Q2 22.

The fall of the H-share index which put KRW2.7 trillion worth of equity-linked securities sold in South Korea at risk of capital losses after dropping below 5,000 points last week was not directly reflected in the DLS(B) outstanding balance which posted a stable amount at the end of October. In terms of issuance, DLBs saw a new high with 313 products launched in Q3, up from 231 a quarter ago, or an increase from 198 YoY - sales showed stable growth from Q1 22, reaching KRW2.67 trillion.

During the same period, there were 134 DLS brought to market worth KRW726 billion, which translated to a 41.5% decrease YoY or down 38% QoQ. Together the DLS(B) market shrank by 7.2% to KRW3.4 trillion by issuance amount from July to September.

The KSD report shows that KRW2.4 trillion DLS(B) was repaid to investors over the last three months, which was 22.8% lower YoY, or down 7.5% QoQ. By repayment type, KRW1.79 trillion was collected upon maturity while the early redemption amount reached KRW561.9 billion. The remaining KRW56.6 billion was interim repayment.

By asset class, interest rates, credit and hybrid underlyings made up 75.8%, 23.2% and one percent of the issuance amount, respectively. There was one product linked to foreign exchange (FX) sold at KRW1.3 billion.

The three-month FX structure was issued in July by Shinhan Investment - linked to USD/KRW, the product is wrapped as DLS with no capital protection.

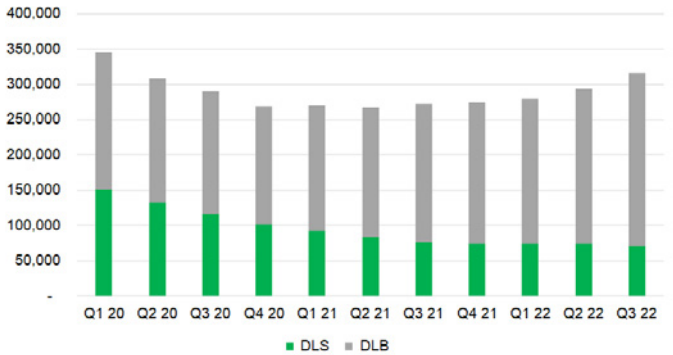
The products tied to hybrid assets comprise four DLS and 12 DLBs, which were issued by Mirae Assets Securities, Shinhan Investment, NH Investment & Securities and KB Securities. The underliers of these products include the Kospi 200, USD/KRW, S&P 500, Eurostoxx 50, silver, two-year USD CMS, 30-year USD CMS and gold.

Hana Financial Investment, Hanwha Investment & Securities and Meritz Securities topped the issuance league table in Q3 22 with a respective market share of 28%, 12.5% and 12.1%.

The top three issuers were followed by Samsung Securities and KB Securities with a respective market share of 9.4% and 6.1%. Among a total of 19 issuers, the top five issuers together accounted for 68% of the entire issuance amount.

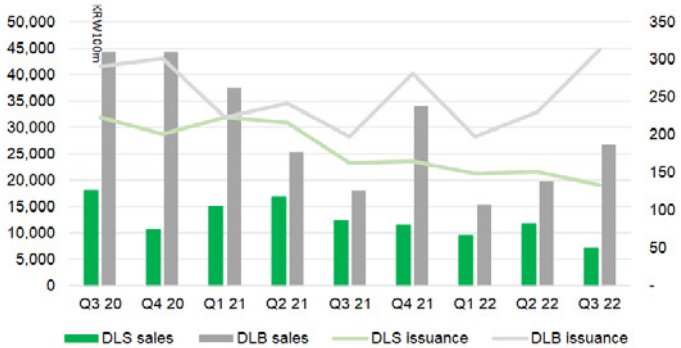
Shinyoung Securities, which took the fifth place with sales volume of KRW391.9 billion, or a market share of 6.9% in the first half of 2022, slipped out of the top five ranking.

South Korea: outstanding amount DLS and DLB at quarter-end (KRWm)



Source: Korea Securities Depository

South Korea: sales and issuance of DLS and DLB



Source: Korea Securities Depository

Credit Suisse: structured products at the centre of new strategy

The two executives at the top of the new markets unit have ran together the cross asset investor products business since 2020

> **The restructuring will organise the bank into two product groups**

The decision to halt the joint venture between the investment banking and wealth divisions announced by Credit Suisse will have winners and losers. The restructuring will organise the investment bank into two product groups – CS First Boston led by Michael Klein and David Miller which will function as an independent capital markets and advisory bank, and the markets business led by Michael Ebert (pictured) and Ken Pang - they took on their roles as co-head of markets earlier this week.

The new product units report directly to group CEO Ulrich Körner.

"The markets business is the aggregation of our sales and trading capabilities across all the asset classes and aims to leverage our robust and strong offering across equities, FX, rates, as well as structured credit including notes and repacks," Ebert told SRP.

Up until now, Ebert has served as co-head of the investment bank and co-head of global trading solutions; with Pang as co-head of global trading solutions and co-head of the investment bank for the Asia Pacific (APAC) region.

Previously, Pang was head of equity derivatives for Asia Pacific, responsible for the structuring and distribution of equity derivatives products for private and retail investors in the region, as well as for equity derivative sales in Hong Kong, Japan and Korea; Ebert joined Credit Suisse as global head of equity derivatives and international trading solutions in 2017 from Bank of America Merrill Lynch.

The pair has headed the bank's cross asset investor products business since 2020 after they were promoted to co-head the entire global trading solutions group, which is the business that houses the structured products across all asset classes targeting the investment banking products that have a high overlap with the wealth management business.

Both Ebert and Pang have now been promoted to run the entire markets business, in other words, the bank remains committed to the structured products market.

"The bank is putting two people with real structured products DNA in charge of the whole markets business. I think that shows continuity and it's a statement about the group's commitment to the structured products business," said Ebert.

"This activity is highly aligned with our overall group strategy of focusing on wealth management."

ACTION PLAN

The 40% reduction of the investment bank's risk weighted assets (RWAs) announced by Credit Suisse will be implemented through a number of actions, including by reducing exposure to securitized products, where the bank has entered into a framework agreement to transfer a significant portion of this business to Apollo and Pimco; and by exiting several non-core business activities.

The two main business segments chosen to release capital and align the overall group strategy to put wealth management clients at the centre of its business include the residual activities of Credit Suisse prime services business, as well as its emerging markets financing business which includes pure credit and some asset backed lending facilities with EM corporates.

The new markets business primary strategy will focus on wealth management clients and will aim to generate around half of its revenues from clients of the Swiss bank and wealth divisions, leveraging the distribution channels established by the global trading solutions franchise to deliver equity derivatives, structured products and rates and FX execution services to family offices and ultra-high-net-worth individuals.

"We have been on a gradual journey to create as much integration and collaboration across our product suite as possible, moving towards regional cross asset sales teams which is a very powerful set up when it comes to structured products and serving internal and external wealth management clients," said Ebert.

Under this set up, the bank can pitch and discuss products across the entire spectrum and respond to the needs of investors across markets.

"I think that has been a big benefit to us," said Ebert. "We're absolutely committed to the structured products business globally."

CREDIT RISK, GROWTH

The recent surge of Credit Suisse's credit default swaps (CDS) earlier this month will not be an impediment to gain new business as credit risk can be looked at from two angles - on one hand CDS go up because the issuer is perceived as being more risky, but some clients will see that as an opportunity for higher yield - it depends on the risk appetite of investors.

"We are confident there will be clients interested in our paper," he said. "The service we provide to our clients on the products we are issuing, the secondary market support, and the operational service level around coupons, dividends and corporate actions will continue to give us an edge in the structured products market, and we have one of the strongest platforms to support the business."

Ebert said the growth of the US market - the most rapidly growing marketplace for structured products in the world, will continue with the Swiss bank well positioned to participate in "a huge opportunity with a real diversity of client interest ranging from retail distribution to partnering with the insurance companies in the FIA market".

Despite the fall in overall issuance levels, Credit Suisse issuance has remained relatively stable vis a vis the overall marketplace which has fallen because the equity autocall business has been affected by a material change in the macro and interest rate environment.

"Equity markets have been under pressure and the calling/reissuance dynamic behind the boom in volume creation we saw in 2021 is no longer there," said Ebert.

Credit Suisse remains a top player in the global retail structured products market but has seen its footprint reduced over the last nine months – the Swiss bank has more than 10,530 live products worth an estimated US$31 billion.

"The business will leverage our offering across equities, FX, rates, as well as structured credit

Q&A: S&P DJI

From volatility to dispersion: capturing return spreads

Cboe and S&P Dow Jones Indices (S&P DJI) will be collaborating to develop the Cboe S&P 500 Dispersion Index.

Cboe and S&P DJI's intent is to follow a similar approach on dispersion as they did with volatility. Like the Cboe Volatility Index (VIX), there will be a dispersion index based on the S&P500 (SPX) and then potentially futures and options, and so on. Tim Edwards (pictured), global head of index investment strategy at (S&P DJI), explains how the idea of developing the dispersion index came about.

"When in 1990 CBOE launched the VIX index, which is a forward-looking measure of market price of volatility or the market expectation of volatility, the market begun to understand volatility," he says. "Then, in 2004, the first VIX futures contracts were listed and nearly 20 years later they have become a big part of the structured products trading investment ecosystem."

The index methodology for the Cboe S&P 500 Dispersion Index has not been developed yet, and the two companies are "currently gathering feedback and insights from a wide range of market participants such as investment banks, structured products desks, options traders, and market makers to better understand their needs and the ways in which they will likely be utilising this index".

DISPERSION – THE CONCEPT

All the 30 stocks comprising the Dow Jones Industrial Average have performed differently.

"There is a really widespread of returns from the best to the worst with a gap of about 30% - and there is a lot of risk of big movements in the stocks," says Edwards.

However, all the risk is being diversified away at the index level, so the single stock risk is not translating into market risk.

"That's what dispersion does - it measures the spread of returns around the red line," says Edwards. "You can also have a situation where the index kind of looks like one of the stocks. There's nearly just as much volatility in the index as there is in the stocks. In this case you are looking at low dispersion."

Dispersion is a form of volatility, but it is different in that it is about the individual securities rather than the index.

"It looks at the realised standard deviation of returns, the spread of the stock returns," says Edwards, adding that dispersion has been measured by the index business for years in the context of the opportunity set for stock selection for active managers.

"If there's a big difference between winners and losers, there's higher rewards to insight," says Edwards. "Conversely, dispersion also measures the diversification benefit achieved by the index, compared to its constituents; it is the degree movement in stocks that is not reflected at the overall index."

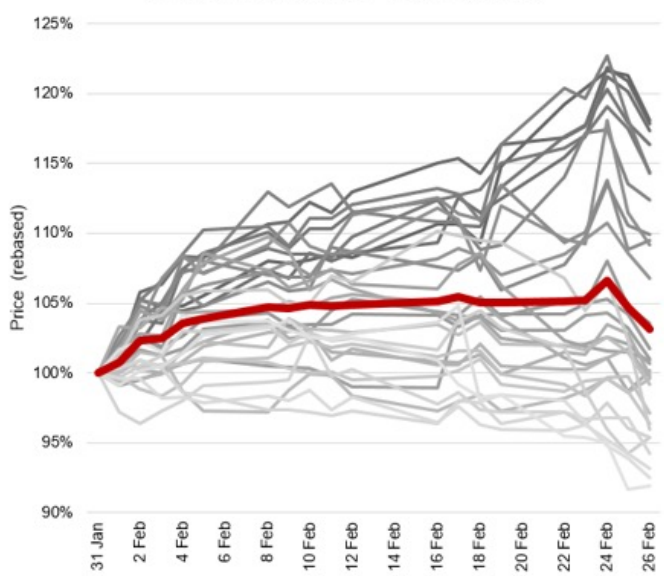
APPLICATIONS – APPEAL FOR ISSUERS

Dispersion is not new and there is already a well-developed tradable market for this kind of trade - trading implied volatility in single stocks versus implied volatility on unique indices.

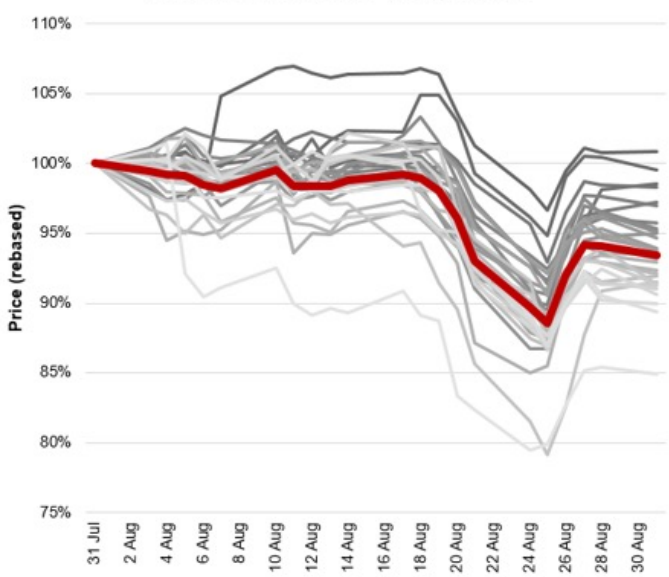
According to Edwards, many structured products issuers have open positions on products linked to single stocks. They can hedge index volatility with the VIX, but they are left with the difference between single stock volatility versus index volatility that circles dispersion trading.

"This makes hedging very lumpy, and it's mainly done over-the-counter [OTC], with banks trading it with hedge funds or

Dow & Constituents - February 2021



Dow & Constituents - August 2015



Dow Jones Industrial Average Dow Constituents

Source: S&P DJI

volatility hedge funds," he says. "What we are trying to do with this index is to bring a market standard that can be used as a reference point and as the basis for derivatives as happened with VIX."

The index is not just aimed at options market makers and structured product issuers as there are plenty of other participants in the dispersion market.

"You have people who already have a position in dispersion, and they just want to manage and hedge that risk, but it can also be used for directional views. We expect investors to use the index to implement their directional views and how different market events are manifested in the dispersion," says Edwards.

The two companies believe the index will resonate with exchanges and product providers as it will add value to investors and offer a new standard benchmark to the market to bring together market participants and give them ways to hedge, and to express views, including trading desks will be able to look at relative value in the option space on an index versus stocks basis.

"Until now, there has been no standardised S&P 500 version of this and that's what we're hoping to do." says Edwards.

MARKET TRENDS

One trend S&P DJI has identified towards the second half of the year is the increasing importance of the liquidity of the underlying which is a longer-term trend happening in the commodity markets with clients seeking more liquid instruments.

"There are concerns about liquidity elsewhere which has been emphasised by the recent events in the UK where we essentially had a liquidity crisis in gilts," says Edwards. "When you have margin calls across the street, which can happen in a market downturn, liquidity becomes absolutely paramount."

Other themes include sustainable investing which has opened opportunities around themes such as climate and biodiversity.

"This is a growth opportunity for us, and it is evolving," says Edwards, "We are seeing growing interest from different parts of the market.

"ESG is a very interesting market where you have pulls in two directions – one around liquidity and transparency, and to keep things simple, and at the other end, we still have a lot of development and sophisticated innovation around sustainability-focused indexing strategies."

The index provider remains "in a favourable position" to respond to demand for new themes and products as it seeks to capitalise on the merger with IHS Markit and the iBoxx Fixed Income Indices offering.

"We have got a long history of trying to build ecosystems around our indices – ETFs, futures, options, so that they have greater potential to offer liquidity when it is needed" says Edwards.

From volatility to dispersion: tradable instruments to broaden access

Cboe Labs is seeking to develop and implement new tradable products to broaden access and bring more investors into the market.

> **We need new products and new investors**

In the second part of the coverage of the upcoming launch of the Cboe S&P 500 Dispersion Index, following the partnership between Cboe Global Markets and S&P Dow Jones Indices (S&P DJI), SRP spoke to Rob Hocking (pictured), senior vice president, global head of product innovation, and John Hiatt, vice president, derivatives strategy, about the creation of Cboe Labs, the partnership with S&PDJI, and why a standard benchmark on dispersion would add value to investors and product providers alike.

Cboe Labs is a dedicated group within Cboe that is focused on creation, development and implementation of new ideas. The focus of Cboe Labs will not be only to create new products, but also refine existing offerings to broaden investor access and bring more investors into the market.

According to Hocking, Cboe Labs and the new dispersion index will be part of the many 'firsts' Cboe has brought to the market - from listed stock and index options, weeklies options to flex options.

"We know that to grow the capital markets, we need new products and new investors," says Hocking. "We want to build on our long-term history around product innovation and take it to the next level. Cboe Labs will create an environment where the market can come to us when they have ideas, and partner with us to create new indices and tradable products."

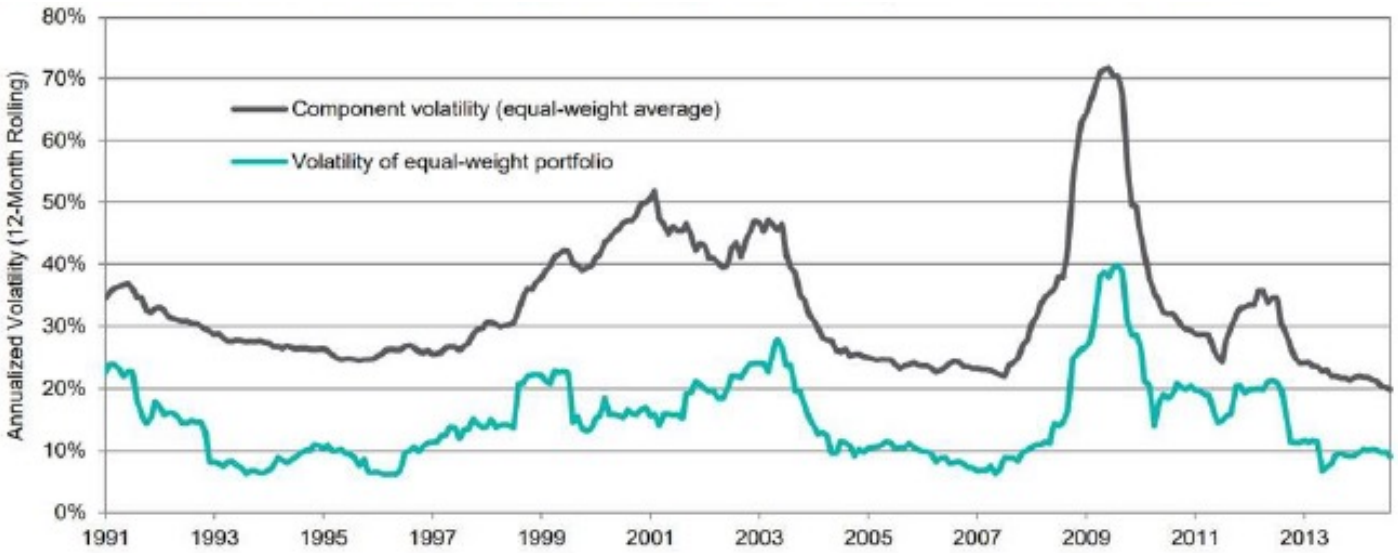
Hocking notes that Cboe believes innovation and education go hand-in-hand. To that end, Cboe Labs will continue to work closely with the Options Institute, the exchange's educational arm, "to provide investor education around the new products and services we create".

"We strongly believe it is through education that we can build investor confidence," says Hocking. "When we teach investors how to use our products and services appropriately and effectively, this results in more action and better outcomes for these investors."

MARKET REACH

Cboe Labs' mandate is global and involves working with clients in Apac, Europe and the US to develop tradable financial products, and engineer next-gen solutions for the capital markets.

The difference between portfolio and component volatility for members of the S&P 500



Source: Edwards and Lazarra, S&P Dow Jones Indices Research Paper, "The Landscape of Risk" (2014)

Cboe's new innovation arm is exploring how to apply new technologies - such as digital - to traditional market structure to enable the design and listing of new structured products that can connect buyers to sellers and create liquidity pools together.

"We believe these new technologies can expedite the product innovation process and make it easier for people to create new solutions on the fly that can be listed on an exchange," says Hocking. "Our main goal is to help facilitate trading and grow the financial markets."

The new business also plans to tap into "interesting opportunities that do not have a tradable solution easily accessible for investors".

"We want to be the first to develop products that will be broadly accepted and used by all investors. We will be making a big push to gain visibility for Cboe Labs among our clients and industry partners and spur more ideas and opportunities for collaboration," says Hocking.

"Investment banks will always have a place for bespoke products that certain customers need. What Cboe offers is the exchange platform, and the foundation for standardised products. We can bring large liquidity pools together around standardised versions of investment products and help the entire ecosystem thrive."

Hocking notes that in his experience as a former trader, the OTC bilateral book was as important as the listed book.

"They both played off each other, and the more one grew, the more the other one grew and vice versa. That is the relationship we see," he says. "The market is our customer, so it is pivotal that what we build has input from as many market participants as possible, including the dealer banks."

According to Hocking, there is an opportunity to follow the concept around the Cboe Volatility (VIX) Index complex, which took volatility - which had been difficult to access for the general investing public - and packaged it into a tradable instrument to broaden access for more investors.

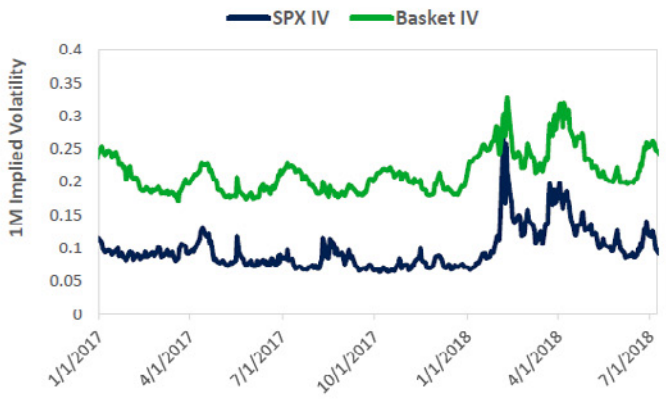
"Before VIX futures were introduced, institutional investors generally had to go through a bank to design a structured product and these investors were also highly capitalised. By creating VIX futures, Cboe has since lowered this barrier to entry, and pulled in more market participants into the volatility trading space," he says.

"Dispersion is a strategy that has a lot of similarities with volatility trading, in that it can be very bulky because there are a lot of moving parts and there are access barriers for many investors. We believe that a futures-based product providing access to dispersion strategy can be very beneficial for the market."

Cboe plans to announce in 2023 a target launch date to begin publishing the index.

Trading dispersion is not new. What will the new index bring to the market?

John Hiatt: We've been thinking about dispersion ever since we launched the VIX Index. When we launched the VIX Index,



Source: Cboe Global Markets

we realised there were a number of ways to calculate forward implied volatility for the market.

We chose our S&P 500 Index (SPX) options but conceivably we could get to the same number by market-cap weighting variant swap replication for all 500 stocks of the SPX and compare the numbers. The number for the SPX will typically be lower than the market-cap weighted version of each of the individual equities. That is part of the reason why we are seeing dispersion trades occur, with respect to options.

The same happens with volatility trading -- you often hear terms like a 'variance risk premium' where an index option is priced at a volatility that is higher than what the index realises over the life of the option. That variance risk premium can be traded over the counter (OTC) using a variance swap.

The spread dispersion is similar. When people trade index options on Cboe, a lot of the market makers in index options are the same in individual equity options. And naturally, through order flow, they wound up with something like a dispersion position with a profit and loss associated that was generally positive for the market makers that were engaged in that business.

There are various ways to get that P&L, or risk premium. One of the reasons why the VIX complex is successful is because it standardised the one-month forward implied volatility, at least in a listed environment, and that became the standard to trade volatility tied to the SPX.

The Cboe S&P 500 Dispersion Index will provide a way to measure the implied dispersion of the SPX at a time when dispersion spreads have widened following the pandemic, and investor interest in dispersion trading continues to grow.

A preliminary version of our 30-day implied dispersion number applies the same methodology as the VIX Index to each of the individual stocks that make up the SPX - market-cap weighting each one of those implied volatility numbers, adding them and then comparing them to the VIX Index.

There is a distinct seasonality, and you can see the dispersion of individual equity returns around earnings announcements. This is one of the drivers of investor interest in dispersion trading recently.

The index looks at a 12-year period in terms of implied dispersion – to develop a good metric to measure implied dispersion, you must capture increases in dispersion when the dispersion trade is being talked about and has a lot of interest.

After that, the question is, how do we develop a product that would allow people to gain access to the index measure that we have standardised.

This is where we are evaluating a cash-settled futures contract, including how we would settle that contract and determine the final settlement value, so that we get broad acceptance to not only the index that we created, but also the futures contract that is trading on it.

Is there scope to develop other dispersion indices beyond the S&P 500?

John Hiatt: When you talk about dispersion trading, the clients trading relative value volatility tend to follow where the trade is most profitable, and recently, we are hearing market participants talk about the idea that the dispersion trade in the United States has become somewhat crowded because the opportunities were so good, and now they're starting to transition to European based equities and indices.

That is something we would look to offer, as we can apply a similar concept to other indices. The SPX is the obvious starting point for standardising a dispersion strategy due to the large size of the US market, and the massive amount of trading that is tied to the SPX.

Eqonex: a regulated environment will bring more traditional investors

The digital assets financial services company is expanding its offering as it works on the launch of a dedicated structured products unit.

Following the launch of its latest product - a USD-denominated bitcoin exchange-traded note (ETN) listed on the Deutsche Börse Xetra Exchange - in late September, the company's head of sales, asset management, Nick Cogswell (pictured), talks about why cryptocurrencies are a good fit for structured products, regulation and the challenges ahead.

"Crypto assets have many similarities with structured products in that investors need to get around a complex idea and you have to be able to explain it as simply as possible whether that is the underlying or the payoff," said Cogswell. "Some investors perceive cryptos as being quite complex, but the level of adoption despite the recent correction suggests that people understand the storyline. Like with some assets used in structured products, cryptos can be very volatile. Structured products can actually reduce investors' exposure to volatility and provide a defined payoff."

According to Cogswell, despite the sharp correction earlier this year the crypto market remains an exciting market at the moment with a lot of opportunity.

"From a product development perspective there is scope to create new underlyings and use different payoff structures to cover different investor needs," said Cogswell. "There's always been demand for low volatility underlyings and this fits very much with crypto assets.

"Structured products can help to lower the risks and the volatility of the underlying themselves, so they are a very efficient way to provide access to investors."

CHALLENGES

Regulation will be key to move the market forward and create a framework where there is transparency and trust.

"Regulation is a natural progression for the crypto markets," Cogswell said. "There will be bumps along the way, but ultimately we'll get to a stage where crypto is just another asset class with clear rules around what you can and what you can't do."

Cogswell believes a regulated environment will bring more traditional investors, as well as further credibility to the new asset class.

"[It] will help to grow the market. Investors continue to seek non-market correlated assets and ways to diversify their exposures and portfolios. Structured products and cryptos meet those needs so they will play an important role as the market evolves," said Cogswell.

However, the main challenge to create an environment where investors are aware of the risks involved and make informed investment decisions is education.

"Wealth managers and investors have never started using or investing in new asset classes overnight," said Cogswell. "Investors must understand the risks and how they want to use this asset class in the portfolio. We spend a lot of time explaining people why this asset class is investable."

Another challenge for the crypto industry is credibility.

"If you want to build trust with investors you need to have credibility," said Cogswell. "For us that is non-negotiable and we're making efforts to employ the best people and to be regulated.

"Being listed on Nasdaq and the fact that we have regulated entities and our custodian was the first FCA approved is hugely important for us to build trust."

Q&A: S&P DJI

Inconsistent regulation is the biggest bottleneck, Yield App

Yield App, the digital wealth platform that offers clients a fixed return on their crypto assets, announced in its Q3 2022 report it is building out a structured products offering, which will provide its customers opportunities to further enhance the returns on their holdings.

> **We need to have consistent regulation globally**

According to its chief investment officer Lucas Kiely (pictured), the company will be adding structured funds to its product range, as well as other products that provide a structured type of return, be it volatility or correlation type products.

Kiely, formerly of Credit Suisse, where he ran a large structured products book in Asia, spoke to SRP about Blockchain, its impact on the structured products sphere, and why he is such a big fan of the technology.

“Blockchain is essentially a distributed database that everyone can see,” said Kiely, adding that it provides “absolute transparency and integrity” to the system.

Kiely cites Netscape Web 1.0, in the early 90s as an example, with people buying items online from Amazon and companies alike, by plugging in their credit card. “Why do we have to plug in our credit card with our security code? Because Web 1.0 is an untrusted network.

“Go to Web 2.0, which is essentially single sign on with Facebook or Twitter or other social media platforms, we're still buying stuff on those platforms with our credit cards because we're still on an untrusted network and the payment of goods and services is still done in a centralized source, be it through a Visa or a Mastercard or an American Express.

“Moving with the advent of blockchain technologies in 2008 and 2009, we end up in a place where we have distributed trust less payment system and that held in the advent of Web 3.0,” he said.

As opposed to the Web 1.0 and 2.0 untrusted networks, Web 3.0 is a trusted network, which, according to Kiely, allows to build all the economics such as payments, insurance, financial products, smart contracts, and so on, inside a trusted network.

“This is what blockchain technology is about. It's holding in the trusted network financial system onto the Web 1.0, Web 2.0 untrusted networks. We need this technology. We need this capability.

"Once you have the ability to build trusted networks with payment and financial systems and everything that comes with that, that's evolution and it's something that's definitely a positive," said Kiely.

USING BLOCKCHAIN TECHNOLOGY TO ISSUE STRUCTURED PRODUCTS

Lucas Kiely: It's far easier. If I wanted to issue a structured product before I build the payoff, I'd hedge the risk, I go to my Treasury Department to issue a note and then I have to distribute that note with an ISIN for people to be able to see the valuation and book it into their systems.

Whereas now I can just issue a token and I can have a smart contract associated with that token that can pull in all the different price levels and it can have a value associated with it. I do feel that's far more efficient than the traditional model of working with a Treasury Department to issue a note with an ISIN, pricing it off a curve that's kind of set internally, etc. I think there's much more transparency and greater ability to compare products.

BLOCKCHAIN WITHIN A STRUCTURED PRODUCT TRADE LIFECYCLE

Lucas Kiely: Let's take a very simple structured product – a bond plus call. I issue my bond plus call token. The call is on Bitcoin, the payout is in stablecoins USDC. I have my bond, let's say my yield in USDC are paying 5 or 6% on some DeFi pool. That becomes my bond or that becomes my guarantor, who's guaranteeing that I buy my call on FTX on a Bitcoin. I package that up into a token and you can see that my token is now linked to a bond in some DeFi pool and a call option owned on an exchange somewhere. I can then have a system that automatically hedges that bond, automatically hedges that call as the counterparty to that call.

Ultimately you own that token and when that token expires, smart contract unravels and gives you the payout from the call, as well as redeems your stablecoin from the DeFi pool that's been earning you the yield. Essentially, you've got your zero-coupon bond that's paying you, say 6-7% and you've got a call option on Bitcoin that's paying you out the payoff from your call, and that will get delivered to you under the smart contract into your wallet. Pretty simple lifecycle.

BARRIERS REGARDING ADOPTION

Lucas Kiely: The biggest issue is trust. At the end of the day, financial products you buy from someone is about do you trust the person, or do you trust the bank, do you trust your financial advisor, etc? I've been issuing structured products for 20 years and for me a lot of that distribution happens still in a very centralized fashion. I want to just get onto a structured products marketplace, and I'll just go buy this or buy that.

You see it a lot in Switzerland and Germany but ultimately the infrastructure is just not there supporting it right now. It doesn't mean it's not being built and happening in lots of different projects, but it just needs kind of institutional mainstream adoption. Ultimately, the guarantees that are providing the structured products always tend to be guaranteed by banks themselves and I am not sure people are really quite there being guaranteed by a DeFi pool or an earn product company.

INVESTMENT BANKS AND BLOCKCHAIN

Lucas Kiely: They already do have the technology. Some of the biggest players in crypto are actually the biggest investment banks in the world, J.P. Morgan, Goldman Sachs, Credit Suisse manages a small amount of crypto. We've seen a lot of the big players already in this space, be it through investments they've made or markets that they make.

The thing that people don't realise is that traditional finance houses, the investment banks, once they decide to do something, they can throw a lot of scale at the problem to solve it. If we see mass adoption of structured products on-chain then I guarantee you that with that will come the banks as well. I don't believe there's much difference between a bank issued notes and a bank issued stablecoin. The minute a bank says, "well I'll issue you the stablecoin and it's going to pay you an accreting interest rate over time yield", that is a zero-coupon bond.

It's just done in a token. If I didn't say, well I'm going to package that zero-coupon bond or zero-coupon token and a call option on some underlying payoff. They already do that. That's what a note is and to issue that structured note, that's a bond plus a call. Doing it as a token is just way more efficient. It's the same thing, it's just a different name.

I do think that there's pioneers out here in this space who are trying to do pretty good things, but it is slow going because adoption is a bit slow. However, that doesn't mean it's not happening.

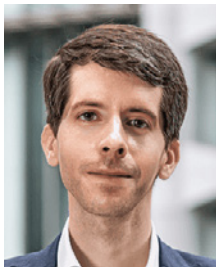
It is happening and people are trying to replicate it through smart contracts and blockchain technologies the things that traditional finance has done over the years. Decentralized finance offers a lot of the things we do in traditional finance now and the infrastructure and technology behind it is fantastic. I think there are obviously some problems along the way. We've seen also structured product problems in traditional finance over the years. We've seen big issues with the way products are sold and distributed and that's what the regulation is for. The biggest issue that we need is we need to have consistent regulation globally that helps people get peace of mind in this space.

That's what I would say is the biggest bottleneck right now is the inconsistent regulation.

Crypto News

All the latest developments in digital assets from across the globe

Singapore crypto exchange adds Ribbon, partners with Bloomberg



Singapore-based digital asset exchange Crypto.com has launched the native token of Ribbon Finance (RBN), a suite of DeFi protocols that aims to help users access crypto-structured products, to support trading around the low-cap decentralised finance (DeFi) altcoin.

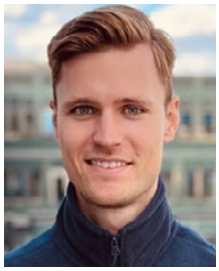
RBN, the 179th-ranked crypto asset by market cap, is down more than 93% from its all-time high of US$5.54, recorded in October 2021.

The launch continues to expand the exchange's suite of tradeable crypto assets despite facing public headwinds in recent months - the company laid off 260 people, or about 5% of the company's workforce in June. The cryptocurrency platform has also announced that its research reports have been integrated into and made available through Bloomberg Terminal.

'The cryptocurrency market is constantly evolving, and access to current data and insights is critical to better understand the industry,' said Eric Anziani (pictured), chief operating officer at Crypto.com.

Reports uploaded to the Bloomberg Terminal will include weekly analysis on latest market movements, on-chain analytics such as crypto adoption estimation, user survey findings, and feature reports on trending themes.

Vinter, Hashdex launch first crypto risk parity momentum play



Crypto investment provider Hashdex has partnered with crypto index provider Vinter to launch the Hashdex Crypto Momentum Factor exchange-traded product (ETP).

The new ETP tracks the Vinter Hashdex Risk Parity Momentum Index, co-developed by Hashdex and Vinter, and contains 12 large-cap crypto assets that are eligible on key European exchanges and exhibit relatively higher price momentum.

The ETP limits the risk contribution of any single underlying asset and is rebalanced monthly. At launch, and as of the index's last rebalancing, the four largest constituents accounting for 53% of the portfolio are Tron (17.94%), XRP (12.28%), Polygon (12.21%) and Binance Coin (10.63%).

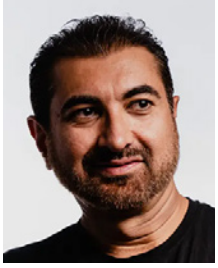
The allocation provides unique exposure compared to a market cap index - the top four allocations represent the crypto-assets with the best relative risk adjusted price performance, with the weights determined 'in a quantitative and rules-based manner, providing exposure to assets that other more traditional approaches do not offer'.

'To attract institutional investors, it is necessary to create innovative products. The [index] allocates to the top performing crypto assets, while limiting the risk,' said Jacob Lindberg (pictured), CEO of Vinter.

Bruno Sousa, head of new markets at Hashdex said: 'There is an increasing appetite from investors to invest in high momentum crypto assets.'

The Hashdex Crypto Momentum Factor ETP is listed on the SIX Swiss Exchange, EuroNext and Xetra.

ETP AuM up 7.5% despite crypto deleveraging



Worldwide crypto-based ETP assets under management (AuM) rose 7.5% in October, according to a report by Fineqia International, 'closely mirroring the 7% rise in the cryptocurrency market value during the same period'.

The total AuM increased to US$25.3 billion from US$23.5 billion between 1 Oct. and 1 Nov. across 159 listed ETPs, according to Fineqia Research. The ETPs include exchange-traded funds (ETFs) and exchange-traded notes (ETNs). The overall value of cryptocurrencies rose 7% to above US$1 trillion

in October - it remained, however, less than half of its January peak value of US$2.2 trillion.

On a year-to-date (YTD) basis, the AuM of crypto ETPs decreased 57%, similar to the 54% drop in the broader crypto market. Despite a 46% increase in the number of ETPs to 159 in October compared with 109 in January, their overall AuM was US$25.3 billion compared with US$58.5 billion in January. The price of bitcoin dropped by 56%, while etherum decreased by 57% during the Jan-Oct. 2022 period.

Fineqia CEO Bundeep Singh Rangar (pictured): 'The price of cryptocurrencies remains the pole star. It is the sole driver of ETP AUM values at the moment, not capital inflows or new product offerings.

ETPs holding bitcoin (BTC) rose five percent to US$16.8 billion from US$16 billion in the month of October. This was similar to the seven percent increment in the BTC price, which reached about US$20,600 on November 1 compared with US$19,300 a month earlier. ETPs representing alternative coins increased 4% and those with a basket of cryptocurrencies rose eight percent.

The AUM of ethereum (ETH) denominated ETPs increased the most at 16%, piggybacking the cryptocurrency's price rise of 21% to almost US$1,600 from US$1,300. Their AUM grew to US$6.5 billion from US$5.4 billion.

All references are in US dollars and all cryptocurrency prices are sourced from CoinMarketCap.

BitMEX rolls out token for true believers, OG traders, whales and hodlers

Crypto derivative exchange BitMEX, has introduced the BMEX Token, the first ever Initial Exchange Offering (IEO).

The cryptocurrency exchange equivalent to a stock launch or IPO signals an inflexion point as the crypto exchange will refocus on its crypto derivatives products core business.

This shift in focus and the launch of the native BMEX token will allow BitMEX 'to optimise its trading services to reward its most loyal customers' while enabling them to bet on the crypto exchanges. BitMEX users can now trade BMEX/USDT on the spot exchange, totalling 11 trading pairs for traders to buy, sell and trade cryptocurrencies.

Additionally, two new perpetual swaps, BMEX/USDT and BMEX/USD, will be available on the platform for instant trading.

Benjamin Usinger (pictured), chief marketing officer for BitMEX, said: 'We have been careful to adapt to market conditions, and the decision to launch BMEX now is timely as we would like to contribute to growth in liquidity and revitalise the crypto markets.

'BMEX is a token for the true believers, the OG traders, the whales and hodlers.'

Citi's digital asset director joins SIX Digital Exchange

Alexandre Kech, Citigroup's director of blockchain and digital assets has announced his departure from Citi Ventures to join digital asset platform, SIX Digital Exchange.

Kech (pictured) joins the Swiss exchange after just one year at Citi Venture, Citigroup's venture unit where he was also general secretary of the Securities Market Practice Group, a group of custodians, banks, central banks and central securities depositories developing market practices.

From 2012-2018, Kech was head of securities and FX markets, and head of standards Asia Pacific, at the US bank.

Prior to joining Citi, he spent 17 years at global financial services company, Swift, where he held several management roles in the standards department around the management of ISO 15022, ISO 20022, and associated market practices.

Kech joined Swift from BNY Mellon where he was an operations executive, team lead, and business analyst.

Spirit Blockchain makes changes at the top

Canada's Spirit Blockchain Capital has announced the appointment of Lewis Bateman (pictured) as the new CEO of the company.

Bateman will succeed Erich Perroulaz and assume his responsibilities. Perroulaz will remain as president and founder of Spirit Blockchain.

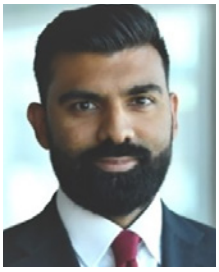
A former capital markets equity sales trader at Merrill Lynch, Bateman has managed day-to-day operations at digital asset providers, asset management firms, and primary exchanges.

He has a significant experience on the buy-side, the sell-side, and at a price execution organisation.

Previously, Bateman held executive management positions at Horizons ETFs Management and First Asset (CI Financial). He was a director at the Toronto Stock Exchange (TMX Group), in charge of attracting new foreign participating trading members into the Canadian market as well as looking after the interests of the exchange's clients, both domestically and internationally, in the placement of structured product distributors.

The Spirit team expects blockchain innovations to drive future developments in computing and Web3 and believes in digital assets' potential to restore faith and pave the way for novel forms of governance in which communities make critical choices about the future of their networks.

Coinbase hires ex-Goldman EQD banker for derivatives push



Usman Naeem (pictured), managing director in the equity derivatives division at Goldman Sachs, is another banking executive shifting to the crypto space.

The Goldman executive has joined Coinbase Global institutional arm to lead its derivatives efforts as global head of derivative sales and agency trading. Based in London, he reports to Brett Tejpaul, head of institutional sales, trading, custody, and prime services at Coinbase.

Naeem joins the crypto firm after eight years at Goldman – he was promoted to managing director in equity derivatives in 2019. Naeem also worked at Bank of America Merrill Lynch from 2009 to 2014 as vice president, equity derivatives.

Coinbase has been laying the groundwork to expand into derivatives for months. In January, Coinbase announced its acquisition of futures exchange FairX, which is registered with US regulators. In late 2021, the company launched a partnership with Marex Solutions which specialises in customised derivative products via Coinbase Prime, its crypto custodian and liquidity hub, to broaden their institutional digital hedging and crypto investment capabilities.

In June, Coinbase extended a hiring freeze and laid off 18% of staff as the market downturn worsened. Executives from major financial firms such as Goldman Sachs, Morgan Stanley and BlackRock, were among those who had employment offers rescinded by Coinbase. The company has since renewed some hiring, including for its overseas expansion.

Syz Capital adds crypto specialist to head liquid alternatives

Syz Capital has appointed a new head of liquid alternatives to lead the Swiss group's efforts in the crypto space.

Richard Byworth (pictured) will serve as one of three managing partners, alongside Marc Syz, who is CEO of the group, and Olivier Maurice, head of private markets.

Byworth was most recently CEO of crypto company Eqonex Group. He was instrumental to list the company on the Nasdaq exchange but left after Eqonex closed its crypto exchange to focus on other digital asset business lines, including asset management and structured products. Prior to joining Eqonex, Byworth spent 18 years working in investment banking, most recently for Nomura in Hong Kong.

Zurich-based Syz Capital is the alternative investment arm of the Syz Group. 'Cryptocurrencies and digital assets are on the rise, and we want to provide our clients with the ability to access them in a secure manner,' said Yvan Gaillard, CEO of Bank Syz.

Digital assets custodian taps Borsa Italiana

Digital asset custodian Komainu has appointed Nicolas Bertrand as its chief executive officer to lead Komainu throughout its next 'growth phase and further help bridge the worlds of traditional and decentralised finance for institutions'.

Bertrand (pictured) has over 20 years of experience in market infrastructure and digital assets, including more than a decade at Borsa Italiana and the London Stock Exchange. He is also an ambassador at the Global Blockchain Business Council and has advised several digital asset businesses.

The former head of derivatives markets and commodities at Borsa Italiana, has been charged with scaling the company and to expand its global footprint.

Komainu was founded in 2018 as a joint venture between global investment bank Nomura, digital asset security firm Ledger, and full-service digital asset investment and trading group CoinShares, to fill a gap in the marketplace and provide institutions with secure and compliant custody solutions enabling exposure to the global digital assets' ecosystem.

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Interrogate.

- Monitor & increase your market share
- Carry out accurate trend analysis with comprenhensive product data spanning over 15 years in seconds

Incorporate.

- Import data directly into in-house systems/platforms and interrogate the data and risk more effectively
- Combine data sets with other products and visualise it in the context of the larger business

MARKET ANALYSIS

Expert view: why complex payoffs fell by the wayside

As the autocallable structure loses momentum, we look at three payoff types that were popular in the past and have fallen from grace over the years.

by Tim Mortimer - FVC

Image: Adobe Stock/sergejson

Structured products have played an important role in providing income and protected solutions for investors for many decades. Three interesting product types in this category are the Altiplano, Himalaya and Podium payoffs. These product types were first used a long time ago but have barely been seen in the last few years. We examine their heritage and why they currently are out of favour.

The defining characteristic of all three is the use of multiple underlyings and payoffs that are calculated with reference to all the underlyings beyond a single basket or best-of/worst-of payment. The payoffs are income generating and generally offered in a capital-protected version.

Examples from the SRP database can be found across several different markets. HSBC issued an Altiplano in Ireland in 2019 which referenced the stocks of Lockheed Martin, Broadcom, General Electric and Verizon (SRP id 21953389). Every year of the five-year maturity, the number of underlyings above their start level is calculated and determines the coupon paid. A full five percent coupon is paid each year if all four stocks are up, 3.5% if three are up, 1.65% if two are up and 0% if zero or one are above the start level.

The Himalaya is even more complicated. One such example was issued by Unicredit in the Czech Republic (SRP id 33322283). This product references 10 stocks including Vodafone, McDonald, Swiss Re and Toyota. Every six months the performance of each stock measured and the best one is frozenat its current level and then removed. This process is repeated until the final stock remains at maturity and is then counted. The performance of each frozen stock is capped at 30% and 80% of the average of the returns (floored at zero) is paid along with full capital.

Finally, in this selection, BBVA issued a Podium product in 2017

Providing capital-protected income products has been difficult since the year 2000

linked to Inditex, Iberdrola, Santander (SRP id 16355964). This is eight years long and each year, if all three stocks are at or above their start value, a coupon of 2.35% is registered. At maturity, the product pays the sum of all registered coupons plus 0.8% with full capital protection.

Providing capital-protected income products in a low-rate environment has been a difficult task since at least the year 2000 and is one of the fundamental challenges of the entire investment industry.

These product types were devised by investment banks and use a set of underlyings to engineer the possibility of target income in the case of the Altiplano and Podium and growth for the Himalaya.

The Altiplano employs a set of digitals to offer up to five percent, with the likelihood towards the lower end because of the schedule of payments and the high dividend yield of Verizon in particular. The Podium is similar in idea and uses the worst-of stock to determine whether each coupon is paid. Requiring all three stocks to be above the start level just to receive a coupon of 2.35% is a very modest target.

Even while interest rates were very low these two ideas never really caught on and with good reason. The correlation, volatility and digital risk that the investment bank faces mean that the product will never look attractive compared to other simpler options such as single underlying digitals, call spreads or even a reverse convertible with plenty of downside protection. The cliquet payoff has mostly suffered the same fate.

Overly complex product payoffs have generally fallen out of favour over the last 10 years driven by regulatory pressure, underwhelming performance and buyside firms better able to analyse product outcomes with their own systems or external analytics providers. The days of the investment banks having the upper hand in capabilities and expertise have gone as the rest of the distribution chain have had the opportunity to catch up. This must surely be good for the industry long term.

Newer solutions to providing income in a low-rate environment have also been developed in recent years. One of these is the explosion of sophisticated index constructions, such as low volatility versions of benchmark indices. These have lower option prices which can facilitate realistic chances of above interest rate returns.

The other reason that these products have rapidly disappeared is due to the rise in interest rates. Interest rates have been climbing in the last few years and risen dramatically in the last 12 months. When the risk-free rate is two percent, buying an option to give a chance of yielding five percent has a strong case but when risk free rates are already five percent, why add all that complexity and compliance risk just to squeeze out another percent or two of potential yield?

Finally, we return to the Himalaya product type. This is a lower risk growth product type and bears similarities to full averaging of underlyings through the lifetime of the investment. Full averaging is known to reduce option values and the results usually look pedestrian over this time frame.

Interestingly the marketing trick of freezing the maximum stock value to lock in the gain is detrimental on balance and therefore on price values compared to the opposite strategy of freezing the minimum value every period and taking the average on that basis. This is a similar phenomenon to that seen in autocall pricing where favourable outcomes are terminated early, and poor performance persists until maturity.

In conclusion, we do not expect this product types to return to popularity anytime soon for several reasons. The structured product market is made up of many different constructions and it should be remembered that every payoff type has its advantages and disadvantages. As knowledge and experience increases over time, we should expect some Darwinian evolution and certain payoffs to fall by the wayside. Though dinosaurs never made a comeback it is always possible that out of favour solutions will eventually be rediscovered and tried again.

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

Analysis: structuring on the dip

Structured products can help tactical investors to benefit from lower equity levels and more favourable pricing to navigate the markets at times of volatility.

by Tim Mortimer - FVC

Image: Adobe Stock/square

The last three years have seen persistent volatility in equity markets worldwide. As investors try to digest and cope with the implications for their portfolios, they deal with it in different ways. Some will be untroubled and seek to maintain or even add to their equity exposure on a long term buy and hold basis.

At the other end of the scale many will take fright and retreat to cash or short dated bonds until they feel safe. These two reactions can be just as true for individual and institutional investors. In previous times of volatility in recent decades, these strategies have met with varying results and there is clearly no single right way to manage such situations.

Between the two extremes of maintaining full exposure and a major flight to safety are various responses employed by more tactical investors, whether institutional or individual. These groups can be heavily influenced by behavioural finance themes or seek to employ existing investment wisdom. While not identical in nature to responses to market events the appeal of the various approaches in factor investing are used heavily in these circumstances.

Factor investing is an area primarily associated with quantitative fund management and sophisticated index algorithms, but the two simplest techniques are following momentum trends and searching for value opportunities.

Factor investing is an area primarily associated with sophisticated index algorithms

Following momentum trends means buying (or retaining) stocks or other underlyings that have shown strong growth and selling those that have performed poorly. In the context of an overall portfolio response this corresponds to staying long the market on the way up but reducing exposure on the way down. Value investing is more subtle as it is defined as taking positions in underlyings that are judged undervalued by some measure compared to the market price.

On an individual basis this means focusing on companies or assets that have fallen out of favour but on a wider level the whole market can be judged undervalued after a big sell-off. It is interesting to note that these two popular themes are almost directly contradictory in that momentum followers favour selling after falls, whereas value investors would want to enter some targeted buying.

ENTRY POINT

A tactical investor may judge that equities are fundamentally undervalued or that a short-term fall has been overdone and regardless of the motivation in both cases there will be a strong justification to enter the market at this time.

This is sometimes known as buying on the dip - taking advantage of a recent market decline to buy at favourable levels in the expectation of a future rebound. Necessarily this concept and indeed its name implies that the investor knows that there will be what could be termed a dip, which suggests a fall followed by a rise. Future events may prove this to be wrong and that going into the market when is followed by immediate further falls - known colloquially as "trying to catch a falling knife".

The other scenario to be aware of is that the market may oscillate (stay range bound) for some time so that buying and selling the various mini highs and lows can get difficult and expensive.

However, the appeal of buying into an asset after a fall is undeniable, and it is not only direct equity investors that can take advantage of this concept, it is also popular in structured products and is often employed by distributors looking to issue attractive products that benefit from market timing.

As a recent example, the S&P500 was at 4100 in mid-September 2022 but fell by over 10% in the following month to 3600. This situation may cause many investors to sit on the sidelines while markets slide but the money that is there to be invested is generally waiting for a favourable opportunity. After a correction of 10% if markets are looking more stable, we can expect distributors to react quickly by issuing products and some investors taking this up. It is not simply the lower market entry levels that are more attractive because in general volatility levels will also rise during such an event. This was indeed seen recently with the VIX one-year index increasing from 28% to 32% during this same period. A similar rise would be seen in implied volatility levels particularly in the shorter horizons of up to three years.

Therefore, the pricing of capital at risk products will also benefit. While not so automatic it is also often the case that equity falls are accompanied by (or caused by) rises in interest rate levels along the yield curve. This will benefit both capital at risk and capital protected products. These combined pricing benefits could passed be through into giving higher yields or more attractive protection levels such as a lower barrier.

A structured product "structured on the dip" will therefore benefit both from lower equity levels and more favourable pricing. For investors nervous of further falls even if they have made the decision to invest such a combination is very useful. For example, if a typical capital at risk structure previously had a 80% barrier but after an increase in volatility this could be lowered to 75% without reducing yield, the investor sees the "points" level of the barrier reduce from 3280 (80% of 4100) to 2700 (75% of 3600). This is a points reduction of some 18% giving significant extra comfort.

The investment horizon remains turbulent but structured products are an excellent tactical tool to take advantage of market movements when structured and distributed reactively and intelligently.

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SPOTLIGHT

Spotlight on... top issuers in Sweden (Q3 2022)

Nordea took the number one spot from Goldman in a quarter that saw BNP Paribas increase its market share by more than 15%.

Some 77 publicly offered structured products sold an estimated SEK1.3 billion ($116m) during the third quarter of 2022 – a 43% decrease in sales volumes from the prior year period (Q3 2021: SEK2.3 billion from 117 products).

Average volumes, at SEK16.7m, were down by SEK2.6m per product compared to 3Q 2021 when products sold on average SEK19.3m.

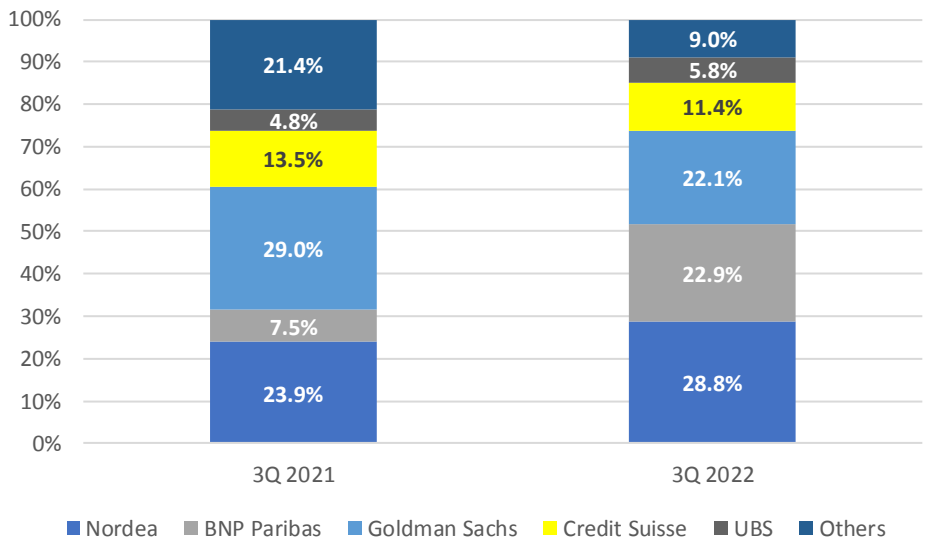
Ten different issuer groups, a mixture of Nordic financial institutions and French, Swiss and US investment banks, were active in Q3 2022, compared to nine in the same quarter last year.

Nordea was the number one issuer group with a 28.8% share of the market – an increase of almost five percent year-on-year (YoY).

The Finnish financial services group collected SEK370m from 16 products that, apart from its own channels, were distributed via Garantum (seven) and Strivo (five). Approximately 50% of its volumes in the quarter came from credit-linked notes (CLNs).

In second, BNP Paribas increased its market share to 22.9% – up 15.4% YoY. The French bank was the manufacturer behind 15 products that were worth an estimated SEK295m. Its offering included the best-selling Kreditcertifikat Investment Grade Europa Kvartalsvis nr 4542, a five-year CLN on the Markit iTraxx Europe Index series 37 that was distributed via Garantum and sold SEK45.1m during its subscription period.

Sweden: top issuer groups - market share by sales volume*



Excluding flow- and leverage products
Source: StructuredRetailProducts.com

Goldman, the top issuer in Q3 2021, achieved estimated sales of SEK285m from 16 products – the equivalent of a 22.1% market share, down 6.9% YoY. Its structures – exclusively linked to share baskets – were distributed via Garantum (17) and Strivo (two), respectively.

Credit Suisse captured 11.4% of the market, a decrease of 2.1% YoY, while UBS held a market share of 5.8%, up from 4.8% in Q3 2021.

Société Générale, Natixis, Leonteq, Crédit Agricole and Morgan Stanley were also active during the period.

BNP Paribas increased its market share by more than 15%

Spotlight on... top issuers in Japan (Q3 2022)

Some JPY261 billion (US$1.8 billion) was collected from 181 structured products in the third quarter of 2022 – a decrease of 16% in sales volume compared to the prior year period (Q3 2021: 312 billion from 204 products).

Average sales of JPY1.44 billion per product were down six percent compared to Q3 2021 when products sold on average JPY1.53 billion.

There was a huge surge in demand for interest-linked products, which were non-existent throughout 2021, but claimed more than 25% of the market in Q3 2022, just behind structures on index-baskets (29%).

Fifteen issuer groups, a mixture of local banks/securities houses, Scandinavian government funding agencies, and European/US investment banks, were active during the quarter (Q3 2021: 13).

Credit Suisse was the number one issuer in the quarter with a 16.7% share of the market.

The Swiss investment bank, which did not even make the top 10 in Q3 2021 when it held 0.9% market share, achieved sales of JPY43 billion from 17 products that were available via nine different distributors. Ninety percent of its sales volumes came from products linked to the interest rates, including 固定利付コーラブル債/Callable Interest Rate linked Bond M20270726, which, with sales of JPY1.9 billion, was the best-selling product in Q3.

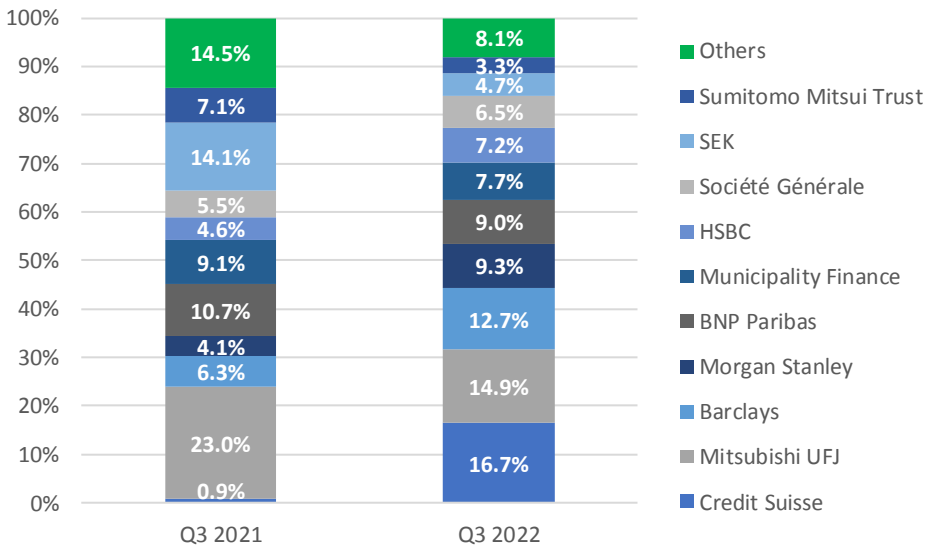
In Second, Mitsubishi UFJ – last year's leading issuer – saw its market share drop to 14.9% (from 23% in Q3 2021). Its products were issued through three different entities – MUFG Securities EMEA, Mitsubishi UFJ Securities International, and Mitsubishi UFJ Trust & Banking – that collected a combined JPY38.8 billion from 21 structures.

Barclays and Morgan Stanley both more than doubled their market share in Q3 2022.

The former claimed 12.7% of the market (Q3 2021: 6.3%) from selling 14 products worth JPY33.2. Most of its volumes, like Credit Suisse, came from interest-linked products.

Morgan Stanley captured 9.3% of the market – up 5.2% year-on-year. The US bank accumulated sales of JPY24.2 billion from 10 products, halve of which were linked to FX-rates.

Japan: top 10 issuer groups by market share*



Excluding flow- and leverage products
Source: StructuredRetailProducts.com

Credit Suisse was the surprise package in a quarter that saw a huge demand for interest-linked products.

Product wrap: generation Y, clean energy, and rule-based trading strategies

In this month's wrap, we look at a selection of structured products with strike dates between 17 October and 13 November 2022.

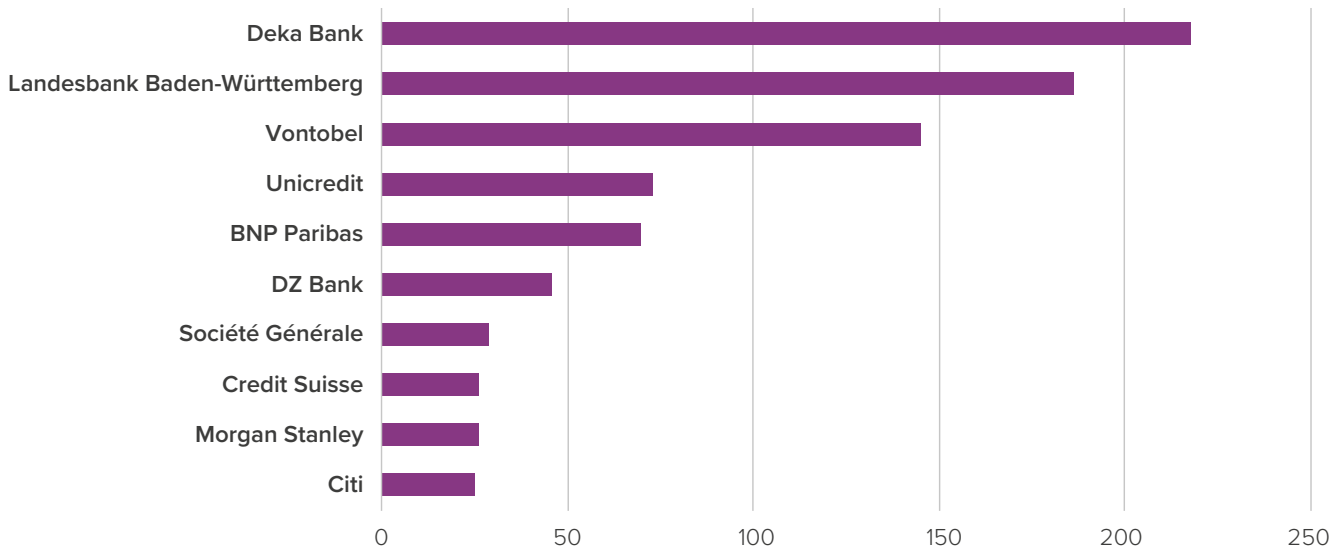
EUROPE

Morgan Stanley & Co International issued a 10-year autocall on the Solactive K Thematic Millenials 5% AR Index in France. The index, which has been live since 4 March 2022, tracks a static basket of 30 companies from developed market countries, including, among others, Apple, Moncler, Netflix, Nike and Spotify. The product is subject to quarterly early redemption (from the end of year one) providing the index closes at or above its initial level. In that case, it offers 100% capital return, plus a coupon of 2.275% for each quarter elapsed (9.1% pa). At maturity, if the index does not close below 70% of its starting level, the product offers 100% capital return. Otherwise, the investor participates 1:1 in the fall of the index. Citibank's London branch acts as intermediary. Total commissions will not exceed one percent per year. The product is listed on the Luxembourg Stock Exchange for an issued amount of €30m. Priips Summary Risk Indicator (SRI): six out of seven.

Kreissparkasse Schlüchtern distributed Express-Certificate Relax 01/2029 on the MSCI World Climate Change ESG Select 4.5% Decrement EUR Index in Germany. The 6.3-year investment certificate redeems early (annually) if the underlying index closes at or above the predetermined barrier. In that case, it offers 100% capital return, plus a coupon of 4.25% for each year elapsed. At maturity, if the product does not close below 50%, the product returns 100% of the nominal invested. Deka Bank is the issuer. The product is not listed. Priips SRI: four out of seven.

Broker Solutions launched the Clean Energy Fixed Return Bond in Ireland. The five-year reverse convertible is linked to three clean energy companies that are amongst the top 10 holdings in the iShares Global Clean Energy ETF, one each in the wind (Vestas Wind Systems), hydrogen (Plug Power) and solar (Enphase Energy) subsectors. It pays a fixed annual coupon of 7.7%, regardless of the performance of the underlying shares. At maturity, capital is at risk if any of the shares has fallen by 50% or more. The minimum investment is €50,000. The bond is issued on the paper of Goldman Sachs & Co Wertpapier while Goldman

Europe: top 10 issuer group by issuance - 17 Oct to 13 Nov 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Sachs International acts as the guarantor. The latter is also the calculation agent. Broker Solutions is expected to receive a commission of five percent, out of which it will pay 2.5% of the amount invested to its appointed financial brokers for introducing clients to the bond. The product is listed on the Luxembourg Stock Exchange. Priips SRI: five out of seven.

Strivo (formerly Strukturinvest) introduced 2751 Marknadscertifikat Hållbar Energi & Småbolag in Sweden. The five-year investment certificate offers access to the Small Cap and Energy Equity Funds ER 17% SEK Index, a custom index sponsored by Credit Suisse International. The index, which reflects a rule-based proprietary trading strategy, has a target volatility of 17% and measures the performance of a portfolio comprising two actively managed mutual funds: Danske Invest Sicav Sverige Småbolag and Handelsbanken Hållbar Energi. At maturity, the product offers 100% capital return plus 100% uncapped participation in the rise in the index, subject to six-months backend averaging. The product is issued at 17.25% and listed on the Nordic Derivatives Exchange. Priips SRI: five out of seven.

In Finland, **Aktia** collaborated with Nordea for the launch of Osakeobligaatio Terveydenhuolto, a five-year medium-term note (MTN) linked to the Stoxx Europe 600 Health Care Index. At maturity, the product offers 100% capital return, plus 100% of the rise in the index, with the final index level calculated as the average of 13 readings taken during the final 12-months of investment. The product is issued at 110%. A production fee and a distribution fee of up to one percent and up to four percent, respectively, is included in the issue price. The product is listed at Nasdaq Helsinki. Priips SRI: two out of seven.

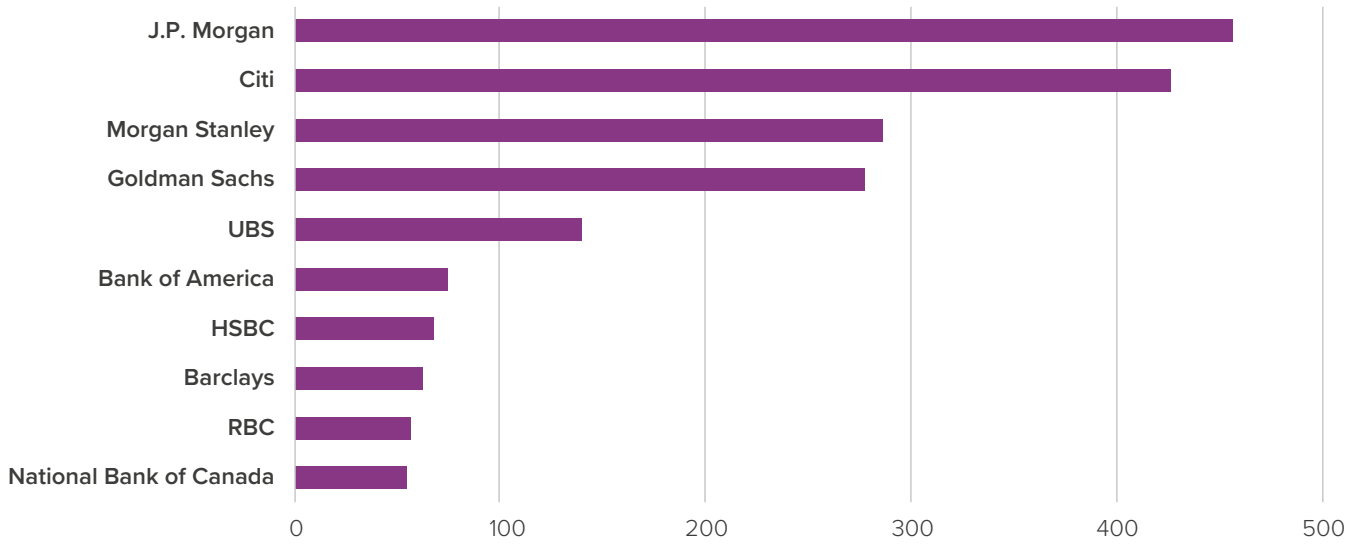
BNP Paribas Fortis collected €44.7m with its Callable Step Up Note 2030 in Belgium. The eight-year medium-term note (MTN) pays a fixed annual step-up coupon, which starts at 3.75% for the first year of investment, and subsequently increases by 0.10% per year. BNP Paribas Fortis Funding (the issuer) can call the product, annually, from the third year onwards. The product is not listed. If the product is kept until maturity, total costs are maximum 8.20%, which include both structuring costs and distribution fees (included in the issue price) and entry costs (not included). A small part of the proceeds (0.10%) is specifically used to finance agro-ecological transition projects from Farming for Climate. Priips SRI: one out of seven.

NORTH AMERICA

National Bank of Canada issued an autocallable contingent coupon income note on the iShares S&P/TSX 60 Index ETF in Canada. The product pays a fixed monthly coupon of 0.69% (8.28% pa) if the underlying fund closes at or above 70% of its starting price on the validation date. Every semester, the note can redeem early, providing the ETF closes at or above 105%. At maturity, if the underlying does not close below 70%, the product offers 100% capital return. A selling commission of 2.50% applies. Wellington-Altus Private Wealth will receive a fee of up to 0.15% of the principal amount for acting as independent dealer.

Incapital sold US$731,000 worth of autocallable notes on a worst-of basket comprising Russell 2000 and S&P 500 in the US. If both indices close at or above their starting price

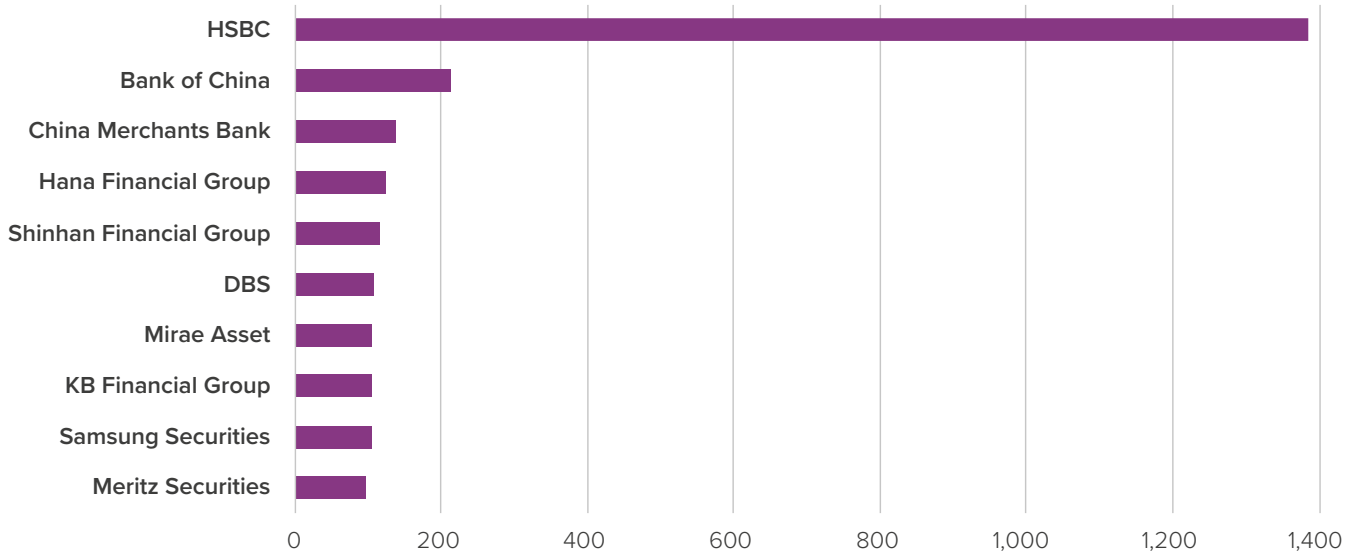
Americas: top 10 issuer group by issuance - 17 Oct to 13 Nov 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Asia Pacific: top 10 issuer group by issuance - 17 Oct to 13 Nov 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

on 31 October 2023, the product terminates, and the investor receives 118% of the nominal invested. Otherwise, at maturity, if neither index has fallen below 85% of its initial level, the product offers 100% capital return, plus 125% of the rise in the worst performing index. Goldman Sachs is the issuer. The estimated value is equal to approximately US$968 per US$1,000 face amount. The underwriting discount is 0.69%. Simon Markets, a broker-dealer in which an affiliate of Goldman holds an indirect minority equity interest, receives a fee in connection with the distribution of the notes.

Also in the US, **Bank of America** achieved sales of US$73.8m its two-year Capped Leveraged Return Notes on the S&P 500. The product offers 100% capital return, plus 200% of the rise in the index, capped at 28.01%. However, if the index has fallen by more than 10%, the capital return equals 100% minus 1% for every 1% fall in excess of the initial 10% fall. The initial estimated value of the notes is US$9.60 per unit and an underwriting discount of two percent applies. RBC is the issuer.

ASIA PACIFIC

Fubon Bank distributed 一年美金固定配息匯率型/Fixed Dividend Rate Structured Note in Taiwan. The one-year registered note is denominated in US dollars and linked to the appreciation of the euro relative to the dollar. At maturity, the product offers minimum 100% capital return, plus a coupon of at least four percent.

Another currency-linked product was seen in China where **Bank of China** launched 美元结构性存款2022年第22187期. This one-year deposit was denominated in US dollars too while its return was linked to the appreciation of the dollar relative to the Swiss franc. If throughout the tenor the currency pair is at or below -0.0575 of its initial level, the product offers a coupon of 1.6% pa. Otherwise, the coupon is 1.4% pa.

In Hong Kong SAR, **HSBC Bank** issued Daily Cash Dividend Callable Equity Linked Investment (DCDC ELI) linked to the Tracker Fund of Hong Kong. The product has a daily autocall condition (call price 102% of the initial spot price) and at expiry knock-in feature (87% of the initial spot price). The fixed cash dividend rate is set at 1.05%. The product is not listed.

Morgan Stanley MUFG Securities collected JPY3.25 billion (US$22m) with パワークーポン債/PRDC MXN/JPY M20371028 in Japan. The 15-year power reverse dual currency is linked to the appreciation of the Mexican peso relative to the Japanese yen. It redeems early if the currency pair closes at or above a predetermined step-down barrier of its initial level. Morgan Stanley is the issuer and Bank of New York Mellon acts as the derivatives counterparty.

MIDDLE EAST & AFRICA

Causeway Securities launched the Fundsmith 95% Capital Protected Note 6 in South Africa. The six-year medium-term note offers minimum 95% capital return, plus 130% uncapped participation in the performance of the Fundsmith Sicav Equity T EUR Acc Fund. The final fund level is calculated as the average of 24 quarterly readings taken throughout the investment term. Morgan Stanley is the issuer.

People Moves

HSBC elevates ESG sales head

Patrick Kondarjian has been appointed as global head of sustainability for Markets & Securities Services (MSS) at HSBC. HSBC notes he has been instrumental in developing the UK bank's 'commercial proposition to support the evolving ESG needs' of its clients. Kondarjian now leads all aspects of sustainability for MSS, including sales, products, risk management and industry engagement.

He will remain in London and reports to Allegra Berman, global head of institutional sales and global co-head of securities services, in addition to Chris Salmon, head of HSBC Bank Plc (non-ring-fenced bank) for MSS. An HSBC spokesperson confirmed the appointment.

Kondarjian takes on the new role following his three years as head of wealth sales, Emea and global head of ESG sales at HSBC. Prior to that, he held several senior roles at the bank including head of structured equity & cross asset third-party distribution sales, Emea, and European head of institutional structured equity sales.

His appointment follows the UK bank's expansion of the portfolio of its Apac head of wealth sales, Patrick Boumalham (pictured) who was named global head of wealth sales and put in charge of MSS at HSBC global banking & markets (GBM) in August. Based in Singapore, he also reports to Berman, and to Sridhar Narayan, head of MSS for Asean.

Boumalham relocated from London to Singapore in February 2022 to take the role of head of wealth sales for Apac within the GBM division. Previously, he had worked for HSBC Private Banking holding two roles successively since September 2017: global head of markets products and global head of ultra-high-net-worth solutions group. Boumalham held the role of head of investment solutions sales for private banking and retail based in France, since 2013.

Former Natixis head joins buyside boutique

Aurelien Rabaey (pictured) has resurfaced as a managing director at Galite Partners, a French advisory boutique specialised in tailor-made solutions founded in 2021 by his former boss Selim Mehrez.

In his new role, Rabaey will be

responsible for supporting the expansion of the firm's coverage of institutional investors, sovereigns, wealth funds, multilateral financial institutions, companies, and family offices.

Based in Paris, Rabaey, formerly managing director and global head of new products and innovation, financial engineering at Natixis Corporate & Investment Bank (CIB) for eight years, will reunite with the founder and president of Galite Partners Mehrez who was global head of equity derivatives and global head of fixed income at Natixis Corporate & Investment Bank (CIB) until September 2021.

During his eight years at Natixis CIB, Rabaey was also global head of financial engineering for equity derivatives and equity markets before taking his most recent role in 2018 after the French bank restructured its global markets division following a €160m hedging losses fiasco in relation to autocallables sold in South Korea at the end of 2018.

Rabaey joined Natixis CIB from Société Générale where he was responsible for pricing and distribution of cross asset solutions in 2014.

Citi taps UBS head of EQD research, bolsters Markets unit

Citigroup has hired **Stuart Kaiser** to lead the firm's US equity trading strategy, according to sources. As the new US head of equity trading strategy Kaiser will focus on the interaction between derivatives, equity markets and macroeconomics.

He will assume the responsibilities of Alex Altmann, who joined Millennium Partners earlier this year.

Kaiser joins from UBS where he spent the last five years - most recently as head of derivatives research in UBS' macro strategy team. Prior to that he was head of equity derivatives research where he spent his time helping the bank's institutional clients find value on both the long and short side of the derivatives market.

Kaiser joined UBS from Tudor Investment Corp. where he was head of equity research. Before joining Tudor, he was part of the equity derivatives research and US equity strategy teams at Goldman Sachs after spending his early career in risk management and portfolio analytics at Ziff Brothers Investments.

The US bank has also appointed **Fabio Lisanti** (pictured) as head of European Markets (excluding the UK).

Lisanti will be expanding his current responsibilities and continue to drive the US bank's European client and people strategy. In addition, he will focus on the further implementation of the Target Operating Model as it relates to the Markets division in Europe. He will relocate to Paris in the coming months.

Prior to this appointment, he served as head of markets for Western Europe.

Lisanti will act as a partner with country and Institutional Client Group ICG senior management teams, as well as with senior managers in the Markets unit. Additionally, he will support senior external interfaces with regulators as they relate to the bank's European Markets strategy.

Lisanti reports to Amit Raja, head of Emea Markets, Kristine Braden, head of the Europe cluster, Silvia Carpitella, interim CEO of Citibank Europe and Cedric Pauwels, Emea head of Financial Services and Solutions (FISS). The Citibank Europe (CEP) and Citigroup Global Markets Europe heads will also be accountable to Lisanti.

Lisanti joined Citi in 2016 as head of markets and securities services for Italy, expanding his responsibilities over time to Western Europe. He began his career at UBS where he led the global businesses of debt capital markets, institutional & corporate solutions sales, and fixed income structuring.

The appointments follow the recent departure of Alexandre Kech, former Citigroup's director of blockchain and digital assets, to join digital asset platform, SIX Digital Exchange.

The US bank announced last week that its US investment bank's equity markets revenues were hit by a reduced activity in derivatives during Q3 2022.

J.P. Morgan names head of ECM, SEA

J.P. Morgan has appointed **Sophie Qian** (pictured) as head of equity capital markets (ECM) for Southeast Asia, according to a memo seen by SRP.

Qian who will relocate from New York to Singapore later this year reports to Peihao Huang and Sunil Dhupelia, co-heads of ECM for Asia ex Japan. Going forward the Southeast Asia ECM team will report to Qian.

Qian has spent 14 years working in investment banking, including the past nine years with J.P. Morgan. She first joined the China Corporate Finance team in Hong Kong in 2013 and then also helped to cover Chinese technology companies before moving to ECM.

Qian joined the U.S. ECM team last year, where she has focused on U.S. / Asia cross border opportunities and special purpose acquisition company (Spacs). During her time in the ECM team Qian assisted several Asian clients in the consumer and technology sectors in raising equity financing in the US and Hong Kong markets.

The US bank is seeking to build its ECM franchise across the Southeast Asian region, where it sees 'significant opportunities for growth', said Murli Maiya, head of equity capital markets, Apac.

Marex bolsters digital assets team

The non-banking issuer of structured products continues to build up its digital assets capabilities; BNP Paribas WM taps CIB; Cboe Global Markets names head of European derivatives; and more.

Marex Solutions has hired **Ilan Solot** and **Mark Arasaratnam** to co-head digital assets, derivatives engine.

Solot joins from Tagus Capital, a crypto hedge fund, having previously worked in banking and the official sector at the New York Fed and the International Monetary Fund (IMF). He has a global macro, finance, and digital assets experience.

Arasaratnam joins from Invstr.com. He has over 17 years' experience in FX trading, global macro, B2B and B2C sectors. Arasaratnam has built global teams in data science and analytics in ad-tech, scaled e-commerce businesses and was most recently an advisor to a fintech start-up in London with a specific focus on Web3.0 strategy, including tokenisation and DeFi.

"We have been building our digital capabilities for almost five years now," Nilesh Jethwa (pictured), CEO of Marex Solutions, told SRP. "It is graduating into the mainstream and our Solutions business is perfectly positioned to help institutional investors gain digital exposure. This remains a complex space for institutions to interact with, especially given the intricacies around self-custody and security risks, which is why we are building a strong team of experts to help educate our clients and deliver products in a safe and simplified way, with risk assessment at its core."

Marex added crypto as a new asset class to its offering in January 2021 and has built a proprietary platform to offer customised OTC and structured note crypto products to institutional clients.

Since then, the firm has manufactured several derivatives in a structured note form – Marex issued the world's first autocallable linked to bitcoin and then extended its range throughout the year to include other coins such as ethereum, as well as decentralized protocols, correlation products between crypto assets and cash and carry trades. At the end of 2021, Solutions announced an institutional partnership with Coinbase.

Iosco appoints chair of new board

The International Organization of Securities Commissions (Iosco) has appointed **Jean-Paul Servais** (pictured), as chair of the new Iosco Board.

Servais, chairman of Belgium's Financial Services and Markets Authority (FSMA), and vice chair of the Iosco board and chair of the European Regional Committee, was appointed Iosco chair during the Board's inaugural meeting at Iosco's 2022 Annual Meeting in Marrakesh.

Servais will replace Ashley Alder, the Hong Kong Securities and Futures Commission (SFC) chief executive who will leave his position to take on a new appointment in the UK as chair of the Financial Conduct Authority (FCA) in January 2023.

The international regulator has appointed Ariizumi Shigeru, vice commissioner for international affairs, financial services agency, Japan, and Rostin Behnam, chair of the U.S. commodity futures trading commission, to replace Servais as vice chairs.

Servais is a well-known figure in international regulatory circles and has held a number of senior positions in the field of financial markets regulation, corporate reporting and audit. He made the headlines in the structured products market as the driving force behind the introduction of the Belgian moratorium on the distribution of particularly complex structured products in 2011.

BNPP WM veteran relocates

Alexandre Billot (pictured), has relocated to Paris to start a new position within the Entrepreneurs & Families team at BNP Paribas Wealth Management, which is led by Pierre Ramadier, global head entrepreneurs & families. Billot joins from the sell-side of the French bank as he spent the last 16 years at BNP Paribas

Corporate & Investment Banking (CIB) in New York most recently as director, equity derivatives solutions sales within the Global Markets division covering cross-assets investment solutions and custom quantitative investment strategies (QIS) for US asset managers.

Prior to that, Billot was part of the BNP Paribas QIS team where he worked in business development, structuring and helped develop the bank's QIS framework and activity for North America which saw the French bank deploying a number of proprietary underlyings (BNP Paribas High Dividend Plus Index, BNP Paribas Momentum Multi Asset 5 Index, BNP Paribas Multi Asset Diversified 5 Index) across 60 indexed annuities.

Before moving to New York in 2016, Billot worked as a project director, structuring, alternative investments, and as a structurer, fund derivatives and product innovation, within the bank's global equities & commodity derivatives global structuring group in Paris.

Billot joined BNP Paribas in 2006 after eight years at Société Générale in Paris where he worked in sales & marketing, warrants and structured products.

Galite Partners adds partner

Galite Partners has appointed **Lise Bardin-Berenger** (pictured) as partner and managing director. Bardin-Berenger will be in charge of developing US markets for the French advisory boutique, which specialises in tailor-made solutions – ranging from structured products to strategic financing and M&A transactions.

The company was founded in 2021 by Selim Mehrez, the former global head of equity derivatives and global head of fixed income at Natixis Corporate & Investment Bank (CIB).

Bardin-Berenger previously worked as deputy head of corporate clients in charge of selling treasury products and solutions and money market funds in the institutional division of Amundi. This follows a long career at investment banks: Natixis, Société Générale and Morgan Stanley.

The move follows the appointment of Aurelien Rabaey, who, also as managing director, will be responsible for supporting the expansion of the firm's coverage of institutional investors, sovereigns, wealth funds, multilateral financial institutions, companies, and family offices.

Rabaey is the former managing director and global head of new products and innovation, financial engineering at Natixis Corporate & Investment Bank (CIB).

Cboe names European derivatives head

Cboe Global Markets has hired **Iouri Saroukhanov** as its new head of European derivatives. Based in London, Saroukhanov will be responsible for Cboe Europe Derivatives (CEDX), its Amsterdam-based equity derivatives exchange reporting directly to Natan Tiefenbrun (pictured), president of Cboe Europe.

Saroukhanov fills the boots of Ade Cordell, who will become president, Asia-Pacific, overseeing the business operations of Cboe Australia and Cboe Japan (formerly Chi-X Asia Pacific), alongside holding responsibility for the company's further expansion into the region.

Saroukhanov joins Cboe Global Markets from Bloomberg, where he served as equity derivatives specialist over the last six months.

Prior to joining Bloomberg, he spent nearly 16 years at Liquid Capital Group, holding a number of senior roles most recently as senior trader on the Eurostoxx 50 derivatives desk, but also as head of the peripheral indices desk, head of the precious metals options desk and head of the FTSE options desk.

Amundi promotes duo in Asia

Amundi has beefed up its capabilities in Asia with the appointment of two senior executives in North and South Asia. **Florian Neto** (pictured) has been promoted to head of investment for Hong Kong SAR and Taiwan as well as head of multi asset, Asia. He will be based in Hong Kong SAR.

Neto first joined Amundi in 2010 before shifting to its multi-asset investment team in 2016. He is currently a lead or co-lead portfolio manager for a range of open-ended funds and institutional mandates, the lead for the outsourced CIO function and a member of various committees, including the North Asia executive committee.

The fund manager has also appointed David Poh as head of investment and ESG strategies in South Asia.

Poh joined Amundi in February 2018 as head of equities before being promoted to head of investment for Singapore in November 2019. Since 2020, he has been the head of research at Amundi BOC (Bank of China) Wealth Management. Prior to joining Amundi, Poh held senior roles at Credit Suisse, Société Générale and Bank of Singapore.

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