

SRPInsight

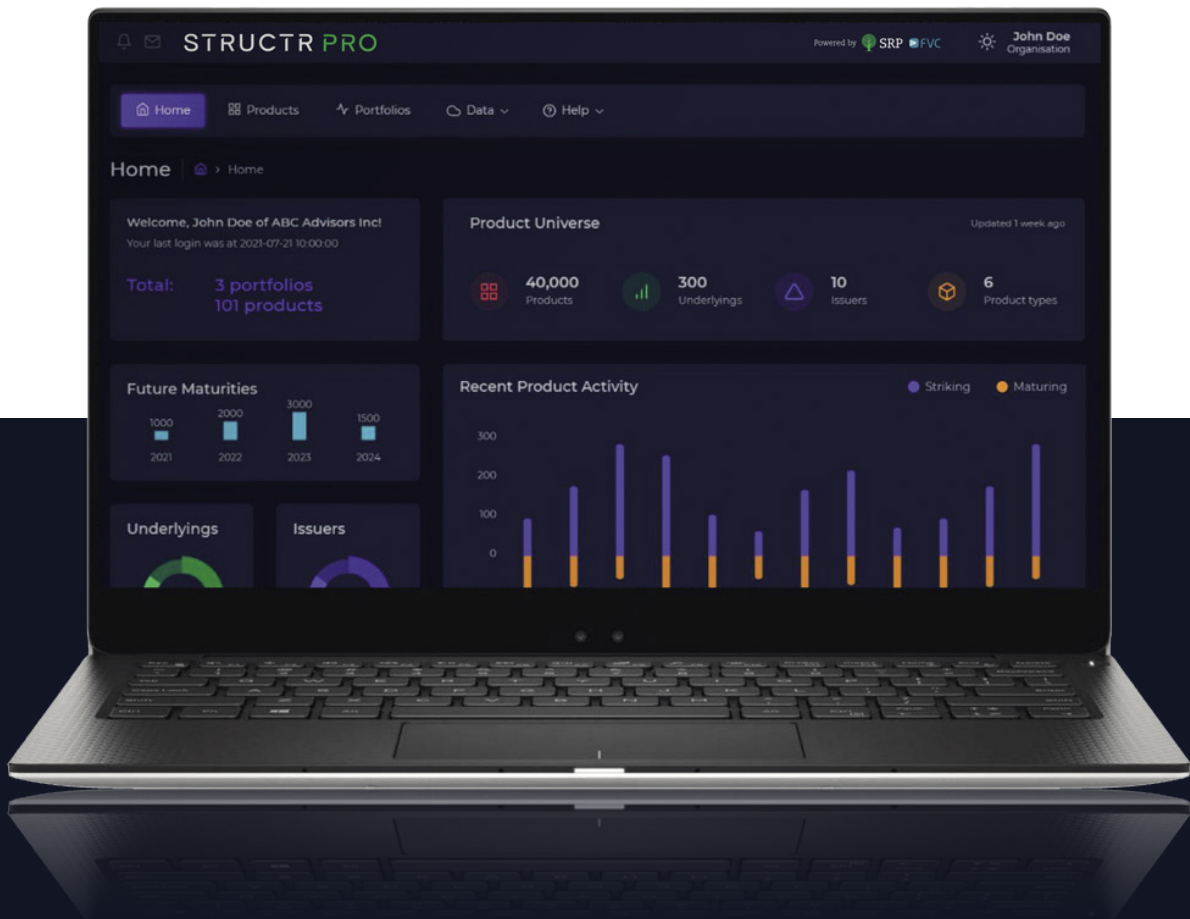
Issue 21 | January 2023

@SRP_Insider



STRUCTR PRO

A fully featured structured product lifecycle management tool



StructrPro is a complete structured product selection, monitoring and analysis system, developed using SRP's extensive structured products database and FVC's cutting-edge analytics and valuation expertise.

Featuring coverage of thousands of products across the US, dynamic product reports and aggregate reporting across entire portfolios. Gain valuable market intelligence on trends and future outcomes to enhance your analysis, product selection and management of structured products.

[FIND OUT MORE](#)

Editorial:

Amelie Labbé, Pablo Conde,
Summer Wang, Marc Wolterink

Production:

Paul Pancham

Marketing:

Daniel Evans

Sales:

Reihaneh Fakhari

If you are interested in having a similar bespoke report produced for your organisation, please contact:

Reihaneh Fakhari

T: +44 (0)20 7779 8220

M: +44 (0)79 8075 6761

E: Reihaneh@structuredretailproducts.com

REPRINT POLICY:

SRP's Reprint Policy: Articles published by SRP can be sent to sources for reference and for internal use only (including intranet posting and internal distribution). If an article is to be shared with a third party or re-published on a public website (i.e. a location on the World Wide Web that is accessible by anyone with a web browser and access to the internet), SRP offers reprints, PDFs of articles or advertisements, and the licensing to republish any content published on the SRP website. Prices vary depending on size, quantity and any additional requirements. To request authorisation to republish any Q&A, profile or feature published by SRP, please contact: info@structuredretailproducts.com.



SRP

Front cover image: *Blue Planet Studio/AdobeStock*

Contents

News Europe	4
News Americas	10
News Apac	16
Feature: ESG disclosure	20
Q&A: Bloomberg Indices	26
Q&A: Morningstar	28
Q&A: BBVA	30
Q&A: Société Générale	32
Q&A: Spectrum Markets	35
Crypto news	37
StructrPro Analysis: US underlyings	42
Expert View: MAANG	44
Spotlight France autocalls	46
Spotlight Mexico issuers	47
Product wrap	48
People moves	51

Dutch manager goes with SG for first participation play in a decade

Dutch fund manager Wilgenhaege has launched Indexversneller 142% (Index Accelerator 142%) in the Netherlands.



management, asset management & private investments, Wilgenhaege.

“We are now going for the upside of the stock markets with an enhanced leverage,” said Smelt, adding that the company’s change of tack is partly down to the state of the markets, which have considerably fallen in the first three quarters of 2022.

“The financial markets have now reached a level where we believe valuations are healthy and in some respects even undervalued given the fundamental upside potential,” he said.

The 3.5-year note is issued on the paper of Société Générale and linked to the Eurostoxx 50. At maturity, if the index performance is positive, the product offers 100% capital return plus 142% uncapped participation in the rise. The barrier for capital protection is 80% – below that the return is equal to the index performance.

The structure is Wilgenhaege’s first participation note in more than nine-years, having recently focused on Athena and Phoenix autocalls – either on single stocks or a worst-of basket.

“[This product] is a different set-up than the autocallables that we have launched in different variants in recent years,” said Tjerk Smelt (pictured), director relationship

The product has a maturity of 3.5-years and Wilgenhaege provides daily liquidity. “Our investors prefer short-term investments, at least with an exit option, but people also want a considerable upside, and an even shorter term would mean lower participation levels – 3.5 years is then appropriate,” said Smelt.

In recent years, in an era of extremely low interest rates, structuring investment products, especially in combination with protection or a guarantee, has been difficult, according to Smelt.

“The autocallables were a very good solution during this time [...] now that interest rates are higher, it is again possible to look at indexes instead of individual stocks.

“That brings diversification to our palette of possibilities, although the Indexversneller is a repetition of products that we also successfully released up to 10 years ago,” said Smelt, referring to five participation notes that were distributed by the fund manager between May 2004 and September 2013 – three of which were linked to the Eurostoxx 50 with the remaining two tied to a basket of shares.

“The target group [for participation notes] is perhaps a bit more conservative than the target group for the autocallables, after all, it is a broad index,” said Smelt.

“On the other hand, this is a product without interest payments, but with a nice upside, in other words, the stock market has to rise for a return.

“I expect that, if, among other things, interest rates remain the same or start to rise a little more, we will put these products, or similar, on the market more often,” he said.

Should interest rates rise further, products providing 100% guarantee could also become back in vogue, according to Smelt. “At the moment, these products are still only possible with a tenor that is too long or with a leverage that is too low.”

“**The financial markets have now reached a level where we believe valuations are healthy and in some respects even undervalued**

Crelan, AXA in SG steepener collab

Crelan collaborated with Société Générale for the launch of Fixed to Floating CMS Linked Coupon Note 2028 in Belgium.



The Belgian bank's first interest-linked product in two-years was simultaneously distributed via AXA. It collected €150m during its subscription period.

The six-year steepener pays a fixed coupon of 3.75% p.a. for the first three years of investment. From year four to six, the annual coupon is equal to two-times the difference between the 30-year EUR constant maturity swap (CMS) rate and the five-year EUR CMS rate, subject to a minimum of two percent and a maximum of five percent.

At maturity, the product offers 100% capital return, plus the final variable coupon. It is also available via AXA Bank

Belgium, which has been part of Crelan Group since the start of the year. The note is Crelan's first structured offering in more than a year, and the bank's first interest-linked structure since June 2020 when it launched the Goldman Sachs International (UK) CMS Coupon Note 2030.

"Thanks to the recent rates increases, we are finally able to introduce interest rate structures with a coupon again," said Koen Theys, product, market & marketing specialist at Crelan.

"The majority of investors still prefers to receive an annual coupon, and this formula guarantees a minimum return at maturity, which is another very attractive feature."

The product brochure states that the possibility to receive the maximum coupon of five percent is 'almost non-existent' and even the chance of receiving an annual coupon higher than two percent is 'very small'.

The additional text is a requirement set by the FSMA, according to Theys.

"The performance scenarios from the KID are based on the historical performance of the underlying asset over the past five-years," he said.

Between October 2017 and June 2019, the difference between the 30-year EUR CMS and five-year EUR CMS exceeded two percent (= the minimum variable coupon). After that, the spread was lower, and the investor would have received the minimum coupon of two percent.

"For most of the period, the difference was therefore lower than the minimum coupon," said Theys, adding that the percentages are the result of a calculation model based on the Cornish-Fisher formula, an asymptotic expansion used in probability calculations.

Having been absent for more than a year, now that interest rates are back at levels that make it once again possible to structure products with attractive terms and conditions, Theys is expecting to see more products from Crelan in the near future.

"For 2023, we have the ambition to launch various new issues," he said.

Interest-linked products have dominated Belgium in 2022 to date, claiming a 62% share of the market that was achieved from 34 products worth an estimated €670m. By comparison, in the whole of 2021, they claimed a 22% market share from 23 products that sold €310m.

“

The majority of investors still prefers to receive an annual coupon

UK regulator announces code of conduct for ESG products

The UK Financial Conduct Authority (FCA) has announced the formation of a group to develop a code of conduct for environmental social and governance (ESG) data and ratings providers.

The announcement follows the UK regulator decision to support the introduction of regulatory oversight of certain ESG data and ratings providers announced in its Feedback Statement on ESG integration in UK capital markets (FS22/4) released in June 2022, as this would support greater transparency and trust in the market for ESG data and ratings services.

The FCA said it is committed to take the necessary steps to develop and consult on a proportionate and effective regulatory regime, with a focus on outcomes in areas highlighted in the International Organization of Securities Commissions' (Iosco) recommendations - these include transparency, good governance, management of conflicts of interest, and systems and controls.

The primary objective set by the FCA for the code is to be a globally consistent set of standards addressing the transparency on methodologies, data and procedures; good governance and management of the conflicts of interests between parties, ensuring methodologies stay consistent and that there are sufficient resources and competent personnel; sound

management of conflicts of interests to identify, mitigate, manage and disclose conflicts of interests - for example where an entity they are rating is also paying them for consultancy services on ESG-related matters; and robust systems and controls including policies and procedures around methodologies, processes for reporting complaints and misconduct, and for engagement with rated entities.

In addition, the regulator said that by establishing best practices on transparency, governance, systems and controls, and management of conflicts of interest, the code will improve the availability and quality of information provided to investors at product and entity levels; enhance market integrity through increased transparency, good governance and sound controls, and improve competition through better comparability of products and providers.

COORDINATED APPROACH

The regulator expects the code to be generally welcomed by investment product providers as it will lead to a globally coordinated approach, and to a greater standardisation of ESG-related information flowing through

investment chains and in the market more widely.

Divergence of UK standards with other competing codes around the world such as the one developed by the German Derivatives Association (DDV) could otherwise be a hurdle for the UK code's take-up for many of those ESG data and ratings providers with an international footprint.

The briefing paper the FCA gave to the working group of industry experts emphasises the need to develop the code in a proportionate manner.

The regulator is asking the working group to have regard to the different sizes and capabilities of ESG data and ratings providers, as well as to consider the size and capabilities of the entities that are rated.

The working group is co-chaired by M&G, Moody's, London Stock Exchange Group (LSEG) and Slaughter and May, and is composed of stakeholders including investors, ESG data and ratings providers, and rated entities. The group will aim to meet for the first time later this year.

“
The code is to be a globally consistent set of standards addressing the transparency on methodologies, data and procedures

Leonteq partners with SIX, debuts ETP+ label

Leonteq has announced the launch of its ETP+ label, which is designed to provide enhanced safety for investors.



The Swiss structured products specialist provider is also launching its first exchange traded product (ETP) linked to the FuW Swiss 50 Index NTR under the new label.

ETP+ uses a 'reputable custodian and collateral agent', both based in Switzerland, and provides daily independent checks, which serve as key mitigators of the issuer risk. In combination with This new setup is aimed at offering a 'compelling differentiation to existing ETP providers' by combining Leonteq as a regulated securities firm with an investment grade rating and the company's 'strong capital position'.

Leonteq is partnering with the Swiss SIX Exchange to reduce issuer credit risk and to protect ETP+ investors' interests by collateralizing any ETP+ liabilities over the product lifecycle. Under this

arrangement, collateral is held at SIX SIS, with SIX Repo, in its function as collateral agent, being responsible for daily inspections of the collateral.

The collateralisation technique used for ETP+ is based on an established framework with SIX that has been in place since 2012.

Nerin Demir (pictured), head repo & collateral management at SIX said: 'Our [Triparty Collateral Management solution] meets the highest standards of security and offers additional investor protection.'

Leonteq, is the first issuer of ETP products in the Swiss market which is licensed as a securities firm by the Swiss Financial Market Supervisory Authority (Finma).

Furthermore, the company has an investment grade rating assigned by Fitch Ratings Ltd., a strong capital base totalling around CHF 890 million, and a proven track record spanning more than 15 years. Thus, Leonteq differentiates from existing ETP issuers which tend to be special purpose vehicles without a proven track record, rating or regulatory supervision and only with minimum paid-in capital.

ETP LAUNCH

On the back of the announcement, Leonteq has launched its first ETP+ on the FuW Swiss 50 Index NTR, an index

developed by the editorial team of Finanz und Wirtschaft (FuW).

'The first ETP+ issued by Leonteq in cooperation with FuW is an authentic 'made in Switzerland' product, giving investors access to an attractive offering with exposure to the Swiss equity market, said Alessandro Ricci, head investment solutions at Leonteq.

With the FuW Swiss 50 Index NTR, which includes the top 50 tradable Swiss companies, investors have access to a close representation of the Swiss equity market. Every six months, the companies in the index are selected according to their free float market capitalisation and considering minimum liquidity requirements.

The top 25 companies are double-weighted, while the remaining 25 companies are single-weighted, resulting in a broader diversification compared to market capitalisation weighted indices.

The index is a net total return index, meaning that net dividends are automatically reinvested. The ETP+ on the FuW Swiss 50 Index NTR is listed on SIX Swiss Exchange and is available to Swiss retail and institutional investors with a minimum investment amount of CHF26.

The new ETP on the FuW Swiss 50 Index NTR is currently the only equity based listed ETP at SIX Swiss Exchange.

“
Our [Triparty Collateral Management solution] meets the highest standards of security and offers additional investor protection

BNPP partners with insurance arm on first structured social index-linked bond

BNP Paribas has debuted a €50 million social bond linked to the performance of the MSCI Eurozone Social Select 30 index.



“We feel that while climate remains the important issue we should not overlook social (or biodiversity) issues that to some extent climate change can exacerbate,” Yuri Siegel (pictured), global market sustainable structuring, BNP Paribas CIB.

“This [new product] highlights the important role capital markets can play in supporting social inclusion through aligning social investment objectives, a social assessment methodology with the bond and index, and material social causes,” said Constance Chalchat, chief sustainability officer for global markets and head of company engagement, BNP Paribas CIB.

The social bond component of the product is based on the bank’s Social Bond Framework where proceeds of social bonds issued by BNP Paribas are used to finance or refinance assets and projects that deliver positive social impact including access to employment, equal opportunities, access to housing, access to education, and access to healthcare.

The framework’s verification process is reviewed by two independent undisclosed parties including an ESG rating agency providing a second party opinion on the framework’s social

credentials and an external auditor verifying the eligible social asset pool. The common pool of eligible social assets is defined by the BNP Paribas Social Bond Committee in line with the International Capital Market Association (ICMA) Social Bonds Principles.

The product tracks the performance of the MSCI Eurozone Social Select 30 index, which is designed by BNP Paribas CIB and calculated by MSCI. It provides exposure to companies both mitigating their activities’ negative impact on society, whilst integrating ambitious social goals.

This index starts from the 80 largest market capitalisations in the Eurozone and selects the 30 companies contributing to at least one of the United Nations’ Sustainable Development Goals (SDGs) focused on social issues while not harming any other social SDG and ensuring that investee companies follow good governance practices.

The social donations mechanism embedded in the new product will donate part of the total amount invested in the notes to associations supported by the BNP Paribas Group focused in various social impact areas such as equal opportunities, social insertion and humanitarian relief.

The new product is aimed at investors seeking to engage on social impact and supports social causes through a donation mechanism embedded into the transaction structure. The product was structured by BNP Paribas CIB’s global markets unit with BNP Paribas’s insurance arm, BNP Paribas Cardif, purchasing the note.

The BNP Paribas’ social index-linked bond integrates the three features of an ESG product - a social bond, a social index and social sharing through donations.

The launch comes on the heels of the new social bond framework launched by BNP Paribas in September.

“**We feel that while climate remains the important issue we should not overlook social (or biodiversity) issues that to some extent climate change can exacerbate**

Equileap, Euronext partner on gender play

Gender equality data provider Equileap has partnered with Euronext to launch the Euronext Equileap Gender Equality France 40 Index.



The index is the first in a family of indices created by Euronext and Equileap to allow investors to align their portfolios with their values by tracking companies that meet both gender equality and ESG criteria.

To be included in the index, companies need to pass standard liquidity criteria as well as an Equileap gender equality and gender diversity assessment based on 19 criteria across four categories: gender balance in leadership and workforce; equal compensation and work/life balance; policies promoting gender equality, commitment, transparency and accountability.

In addition, any companies with incidents of gender discrimination or sexual harassment that have triggered legal judgements or rulings and companies red flagged against any of the UNGC or NBS international standards or that are involved in controversial weapons are excluded from the index - firms are also excluded if involved in energy and extractives such as coal mining and associated power generation, oil sands, shale oil and gas and tobacco.

The Gender Equality France 40 Index is drawn from companies included in

the SBF 120 Index. The top five highest ranking companies in the Gender Equality France 40 Index include Sanofi (12.43%), LVMH (11.90%), L'Oreal (10.17%), Schneider Electric (9.81%) and AXA Insurance (6.83%).

The Gender Equality France 40 Index will be joined by the Euronext Equileap Gender Equality Eurozone 100 which will be drawn from the companies included in the Euronext Eurozone 300 index and will feature the 100 highest ranking companies when assessed against the same gender equality and ESG screen.

'Once again, we are seeing that investing in women at work pays,' said Diana van Maasdijk (pictured), CEO at Equileap.

'The back-tested over-performance of the Gender Equality France 40 of 3% over the last 3 years is further support for the growing evidence that links gender equality to higher performance.'

Santander debuts ESG play with environmental and social impact

Santander has launched its first ESG structured product aimed at protecting capital and generating positive environmental and social impact, SRP has learnt.

The product which has been sold to a company from the Aragon region is a 50/50 type of structure offering a guaranteed minimum return on part of the capital invested and an additional variable return linked to the performance of the Eurostoxx 50 ESG X index.

The index includes European companies with the highest ESG scores and

excludes those that do not meet international standards, such as tobacco companies, arms companies, military contracting, or thermal coal companies.

The Spanish bank has committed to use part of the proceeds to reforesting 3.75 hectares in Albentosa (Teruel) close to the location of the company's headquarters, to generate an additional positive environmental impact. The land, owned by the town council, will be reforested with around 3,000 trees to create a native forest.

Santander will assume all the costs as

part of its goal to mobilise €120 billion between 2019 and 2025 in green financing. The project will also have a positive social impact as additional employment will be generated for the reforestation work.

The bank restructured its Green Finance division in Q2 2022 to increase the weight to its sustainable finance business by bringing the business related to investment banking (issuance of green bonds or equity investments) and sustainable financing offered by commercial banking (green finance products) under the same unit.

Rilas: one step closer to law

The bill to streamline regulatory paperwork for index-linked annuities approved by the US Senate is now waiting a vote in the House of Congress.



The US Senate approved legislation on 6 December to reduce market barriers for the sale of registered index linked annuities (Rilas).

Currently, Rilas must register under 'catch all' forms, which often require information that isn't relevant to Rilas. The bill is intended to simplify and shorten the Rila registration process and increase their market supply.

Once the bill is passed, the SEC will have 180 days to create a new registration form customised to the needs of Rilas. The new tailored template will take into account the sophistication of people who purchase these products, the complexity of

the products themselves, and the information available to issuers in determining what information to require.

The Registration for Index Linked Annuities Act is now 'held at the desk' in Congress, which approved its own version of the bill in July 2022. Once the House passes the Senate version, the bill will be sent to President Biden to be enacted into law. The Senate version of the Rila Act was originally introduced in November 2021.

The Insured Retirement Institute has supported both versions of the bill. In July, after the Financial Services Committee passed the House version, the IRI said in a statement that demand for Rilas is growing aggressively, but the supply is 'curtailed by the onerous form requirements' that would be simplified by the Rila Act.

The IRI has called on the House to pass the Senate's version of the bill which 'would direct the SEC to promulgate a new form to replace the largely inapplicable forms annuity issuers currently are required to use when filing Rilas with the Commission'.

'The current forms used to file Rilas are ones designed for use in connection with Initial Public Offerings or other 'catch-all' forms not germane to insurance products,' stated the IRI.

'With this bipartisan legislation, Congress makes it easier for Americans to prepare for retirement and gives them greater access to innovative annuity products that guarantee lifetime income while offering some protections from market volatility,' said Lawrence Holzberg (pictured), president of the National Association of Insurance and Financial Advisors (Naifa).

According to Naifa, Rilas offer a good option for some consumers who want to benefit from market growth while reducing their exposure to market losses.

'These are long-term, tax-deferred investments that are often well-suited for investors who are preparing for retirement, especially those who are retired or are nearing retirement and wish to reduce the impact of market downturns,' said Holzberg.

The Rila Act will be included in the Secure Act 2.0 - an 'omnibus appropriations legislation' which includes a number of retirement provisions in a wider legislative package.

Rilas are one of the fastest growing wrappers in the structured products market with sales standing at US\$10.6 billion in the third quarter of 2022, up 14% from the previous year. In the first nine months of 2022, Rila sales were US\$31 billion.

“

The new tailored template will take into account the sophistication of people who purchase these products

BlackRock: FIAs, critical in holistic portfolio construction

Research from the firm's retirement insurance team shows that fixed indexed annuities can add value and protection to retirement investors.



Having protected solutions for retirement is more important than ever in the current market environment. That was the word from the head of indexed annuities and insurance at BlackRock's Retirement Insurance Group, Igor Zamkovsky (pictured), who made the case for adding fixed indexed annuities (FIAs) in the accumulation phase of retirement portfolios at a recent webinar presented by the US National Association for Fixed Annuities (NAFA).

In an environment where stocks are down 20%, bonds are down 15%, bitcoin

is down 70% and commodities are up, but still down over 30% on a 10-year basis, having complementary solutions is critical for retirement investors, according to Zamkovsky.

"We believe having tools like FIAs in the toolkit is critical when thinking about holistic portfolio construction. We're in an incredibly dynamic market environment, but the overall concepts around the values of accumulation phase continue to hold true," he said.

According to Zamkovsky, the years before and right after retirement which cover a period of 10 years also known as the 'retirement red zone' is an important time when upside and protection are key.

"If the markets are great, we're set, but you don't want to be retiring in 2022 with your portfolio down 20%," he said.

BlackRock's retirement insurance team modelled a seven-year product with capital market assumptions and ran them through a series of Monte Carlo simulations to look at the range of returns.

The research found that a FIA allocation can offer greater upside than the immediate scenario when suitably

funded, and reduces extreme bad outcomes and balanced portfolios, particularly when funded from stocks and bonds. Additionally, incorporating an FIA with an underlying vol control index can also help provide more certainty around future portfolio values.

PORTFOLIO ALLOCATION

The research looks at a situation where a portfolio is constantly positive plus 5% a year for seven years, and constantly negative minus 5% a year for seven years. On the plus 5% scenario, when the markets keep going up, and stocks and bonds are up, there was a 3% decrease in the expected value of the portfolio incorporating a FIA allocation. On the minus 5% scenario, there was a 13% improvement in portfolio outcomes.

"60/40 is down in a big way, and the economic outlook continues to be challenged," said Zamkovsky.

"Our hypothesis is that the case for a FIA has become more compelling than ever. The bond alternative story is stronger than ever."

However, BlackRock is taking a slightly different approach to it and has started talking about FIAs as a stock and bond alternative.

“

Our hypothesis is that the case for a FIA has become more compelling than ever. The bond alternative story is stronger than ever

“The focus here is on avoiding extreme downside market scenarios, and less on growth,” he said. “As we have seen stocks can go down in a big way, so conservative investors can allocate from stocks and bonds in a prorated fashion to fund the FIA portion of the portfolio.”

According to Zamkovsky, to fund the FIA allocation investors can use their fixed income and equity buckets, as well as cash.

VOL CONTROL

BlackRock’s research also found that volatility control indices have “a lot of benefits and can deliver a lot of value.”

“But it is important to highlight that there are benefits and trade-offs,” said Zamkovsky.

According to the research which looks

in cluster at historical returns of vol control indices, using a vol control index can help gain more confidence on future portfolio values by clustering returns in a narrower distribution.

“They also can allow for participation in extreme positive market moves, if they’re used with a participation rate strategy,” said Zamkovsky. “[These indices] are not intended, on average, to hit it out of the park but to deliver more stable returns. Because of the volatility control nature, it’s easier to see them in participation rate strategies.”

On the flip side, because of that narrow distribution, vol control structures are expected to deliver less extreme positive outcomes.

“There’s also an incredible proliferation of options and it really difficult to

choose the right index. We certainly believe that choosing a FIA linked to a vol control index should be part of an active conversation between a client and advisor about outcome expectations and desired confidence around target outcomes,” said Zamkovsky.

The research concluded that a FIA allocation can offer greater upside in the median scenario when suitably funded, and by allocation it may reduce extreme bad outcomes and balance portfolios.

“For conservative and cash heavy portfolios, FIAs may improve worse to median outcomes, assuming liquidity needs have been met. And incorporating a FIA with a vol control index can help provide more certainty around future portfolio values,” said Zamkovsky.

Bank channel drives record FIA/Rila sales

For the second consecutive quarter, bank sales have propelled fixed-rate deferred (FRD) and fixed-indexed annuity (FIA) sales to reach record levels in the US.



Overall annuity sales were US\$80.7 billion in the third quarter, a 29% increase year-on-year (YoY), according to Limra’s US Individual Annuity Sales Survey.

Year-to-date, total annuity sales were US\$223.4 billion, 17% higher than the first three quarters of 2021.

Third quarter fixed indexed annuity (FIA) sales were a record US\$21.5 billion, a 26% increase YoY. Bank sales also played a role in the record FIA sales, holding 20% market share in the quarter. In comparison, FIA bank sales represented 16% of the FIA market in Q3 2021 - year-to-date (YTD), FIA sales stand at US\$57.5 billion, 22% higher than last year.

“Under the current economic environment, FIAs are very attractive to investors seeking principal protection

with potential investment growth opportunity,” said Todd Giesing (left), assistant vice president, Limra Annuity Research. “Rising interest rates have increased the returns on fixed accounts while enabling insurers to offer attractive cap rates on the S&P 500.”

With long-term economic forecasts unexpected to change significantly, Limra expects FIA sales to break annual records, totaling as much as US\$76 billion in 2022, and increasing each year through 2026.

According to Limra, the top provider of FIAs during Q3 22 was Athene Annuity & Life with US\$7.1m, followed by Allianz Life of North America (US\$6.1m), Corebridge Financial (US\$4.8m), Sammons Financial (US\$3.9m) and Massachusetts Mutual Life (US\$3.4m).

On the registered index-linked annuity

(Rila) side of the market, sales totaled US\$10.6 billion in the third quarter, up 14% from prior year.

In the first nine months of 2022, Rila sales were US\$31 billion, nine percent higher than the previous year. Limra expects 'modest growth' in 2022, compared with the 30% plus annual growth experienced over the past three years.

The research firm projects Rila sales to be between US\$38 and US\$42 billion in 2022.

Equitable Financial (formerly Axa Equitable) came on top in Q3 22 with US\$6.5m in sales, followed by Allianz Life North America (US\$4.5m), Brighthouse Financial (US\$4.4m), Prudential Annuities (US\$3.9m) and Lincoln Financial Group (US\$3.5m).

Traditional variable annuity (VA) sales continued to drop – Q3 22 VA sales fell 34% to US\$14.1 billion.

This is the third consecutive quarter of double-digit declines and the lowest quarterly results since the third quarter of 1995. YTD, traditional VA sales were US\$49.1 billion, down 24%.

To put these results into perspective, annual traditional VA sales peaked at US\$184 billion in 2007 - Limra projects traditional VA sales to be a third of that, tallying under \$65 billion, at the end of 2022.

INCOME ANNUITIES

Income annuities have rebounded

to pre-pandemic levels due to rising interest rates. Single premium immediate annuity (SPIA) sales were US\$2.5 billion in the third quarter, a 58% year-over-year increase. YTD, SPIA sales were \$6 billion, 28% higher than the same period last year.

Total fixed-rate deferred annuity sales were \$30 billion in the third quarter 2022, 161% above third quarter 2021 results. This is the best sales quarter for FRD products ever recorded.

Deferred income annuity (DIA) sales did not fare as well. In the third quarter, DIA sales fell one percent to US\$505m. YTD, DIA sales were US\$1.4 billion, four percent lower than the previous year.

'The average fixed-rate deferred crediting rates continued to be more than triple the rates offered in bank CDs in the third quarter, which enticed bank customers to buy FRD annuities,' added Giesing. 'As a result, bank FRD sales represented nearly half (49%) of the record-high fixed-rate deferred sales in the third quarter.'

Overall, Limra is forecasting income annuity sales to grow more than 10% in 2022 with steady growth projected through 2026.

iSTRUCTURE

The latest indexed annuity update follows another recent milestone in the US annuities market - the first uncapped index-linked structured settlement annuity linked to the Franklin BofA World Index raising US\$100m.

The iStructure annuity sold by Independent Insurance Group crossed the US\$100m milestone mark in committed sales predominantly from plaintiff settlement recoveries, attorney fee deferrals, and instalment sales of real estate and businesses.

The product launched earlier this year provides the opportunity for growth in payout amounts with the same flexibility and tax benefits of traditional structured settlements. Over 150 individuals have elected to use iStructure for future periodic payments, ranging from catastrophically injured minors to seasoned trial lawyers, according to Independent Life.

The underlying annuity contract is linked to the Franklin BofA World Index, which is powered by the quantitative insights of Franklin Templeton and Bank of America - the volatility-controlled index is designed to capture long-term growth by systematically allocating to companies around the world with the potential for high profitability.

'The adoption of iStructure in less than a year from our distribution partners is unlike anything ever seen for a new product in the settlement planning industry,' said Christopher Bua, senior vice president of sales for Independent Life.

iStructure can be used for a variety of situations including personal injury cases, structured attorney fees, structured instalment sales, taxable settlements, and NIL agreements.

“
Limra expects FIA sales to break annual records, totaling as much as US\$76 billion in 2022

Morningstar launches annuity hub powered by Luma

Morningstar has launched the Annuity Intelligence Center, an annuity transaction module within Morningstar Advisor Workstation aimed at simplifying the process of transacting annuities by financial advisors.

The platform which is powered by Luma Financial Technologies combines educational material, comparison functionality, and product accessibility to help advisors manage their clients' annuity investments.

'Assets in annuities are climbing, and while these vehicles are growing in popularity, the annuity marketplace remains opaque, and advisors serving investors have difficulty evaluating their options,' said Jeff Schwantz, global head of channels and partnerships at Morningstar.

The Annuity Intelligence Center will offer advisors a single solution for all annuity product types, including variable annuities, fixed index annuities (FIAs), and registered index-linked annuities (Rilas).

The platform is designed to encompass the entire annuity workflow, from training and research to order entry and lifecycle management, simplifying manual processes with interactive tools.

'The new Annuity Intelligence Center will add a new level of transparency to the industry by removing complexities and modernising workflow, including lifecycle management from pre-trade, trade, and post-trade,' said Schwantz.

New ESG, vol control indices enter US annuities market

The new indices come on the heels of the new artificial intelligence based BofA Iris U.S. Sectors Index



Aspida Life Insurance Company and Market Synergy Group have partnered to launch the new Synergy Choice Max fixed index annuity (FIA) series which includes two new custom indices developed by Citi and Goldman Sachs.

'Given the uncertainty in today's markets, the opportunity to provide protection with innovative growth potential is more critical than ever,' said Lance Sparks (pictured), president of Market Synergy Group.

The new Synergy Choice Max indexed annuity five- or ten-year surrender terms linked to two new custom indexing strategies - Citi Aria Index and Goldman Sachs Grand Prix Index - in addition to the S&P 500 index.

The Citi Aria Index is a 100% equity index that dynamically allocates monthly between two ESG underlyings - Citi Global ESG index and Citi US Tech ESG index, based on a historical performance signal.

The index is exposed to US Tech ESG equity via the Citi US Tech ESG Index; and global developed markets with a basket composed of 55% Citi US Large Cap ESG Index and 45% iShares ESG Aware MSCI EAFE ETF.

On a monthly basis the index compares one year returns of the two ESG components and allocates 100% to the outperforming constituent.

The index then applies a volatility target methodology to achieve a 20% volatility target level and a performance control mechanism to cap and floor the monthly return between -8% and +4%. This mechanism employs a dollar cost averaging feature and is applied daily to diversify the risk of hitting the cap level and floor level.

The Goldman Sachs Grand Prix Index deploys signals from market anomalies to drive dynamic rebalancing between US technology equity. The index aims to provide exposure to an equity futures and US Treasury futures bond portfolio and seeks to capitalise on calendar-based signals and price patterns.

The new underlying dynamically allocates between an index of US technology equity futures for equity exposure - the US Technology Equity Futures Rolling Strategy Series Q Excess Return Index, which is calculated by Solactive, and an index of 10-year T-Note futures for bond exposure while targeting 4.5% volatility.

It then applies a patent pending volatility control mechanism - the truVol Risk Control Engine - which aims to increase accuracy and responsiveness by using intraday data and proprietary mechanism determined and designed by Salt Financial Indices.

Salt Financial Indices has been supplying its truVol technology to the US structured products market since 2020 after launching a partnership with Credit Suisse to launch several quantitative investment strategies (QIS) including the CS Tech Edge index.

API



SRP

Turn Data into Intelligence

The Application Programming Interface (API), is a web-based software application which allows clients to access our data in a controlled manner & integrate it using their own software packages & systems.



Retrieve.

- Download real time SRP data directly to excel
- Receive market share on each asset class/payoff for each company of interest

Interrogate.

- Monitor & increase your market share
- Carry out accurate trend analysis with comprehensive 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

Korea regulator calls for risk control as HSCEI losses bite

The Financial Supervisory Service has urged domestic securities houses to strengthen risk management processes of structured products.

The balance of structured products reaching their knock-in level in South Korea increased by 280% to KRW1.1 trillion (US\$850 billion) at the end of Q3 2022 compared with three months ago mainly due to the weak performance of the HSCEI, according to the report released by the Financial Supervisory Service (FSS) on 8 January 2023.

Nearly all the balance comes from equity-linked securities (ELS) while derivative-linked securities (DLS) contributed KRW4.4 billion.

The HSCEI, which comprises the largest and most liquid 51 Chinese securities listed in Hong Kong SAR, accounted for 63.3% of the balance through ELS, or KRW671.1 billion.

The Korean regulator noted that local securities houses, which act as the issuers and help providers to hedge their ELS activity, must strengthen their risk monitoring, particularly on HSCEI-linked structured products, in view of the knock-in volume surge during Q3 22.

As of 30 September 2022, the HSCEI stood at 5,914 points, down 22.9% from a quarter ago.

Although the size of knock-ins on products linked to the HSCEI increased, 'it is possible to reduce the loss amount [for investors] or repay profits if the index recovers before most of the ELS mature in 2024,' stated the Korean regulator.

Approximately 86.7% of the balance, or KRW923.3 billion, is set to mature in 2024 with KRW62 billion due in 2022, KRW25 billion in 2023 and KRW54.7 billion in 2025 or afterwards.

The weak performance of the HSCEI also led to a fall in demand for new ELS in Q3 22, besides the instability of global financial market, according to the report.

According to the regulator, Q3 22 saw KRW5.7 trillion and KRW 2.3 trillion worth of new non-principal-protected and principal-protected ELS, respectively. The amount represented a decrease of 35.2% and 20.5% compared with Q2 22, respectively.

For the combined issuance, the HSCEI accounted for KRW1.1 trillion, in line with the decline seen over the first two quarters of 2022, followed by the S&P 500 (KRW5.1 trillion), Eurostoxx 50

(KRW5 trillion) and Kospi 200 (KRW3.5 trillion).

There was KRW2.8 trillion issuance deployed with a knock-in option and full capital at risk were down from KRW3.7 trillion in Q2 22, but the proportion rose to 35.1% from 31.9% for the entire ELS issuance.

Specifically, low knock-in products, which are classified as ELS with a knock-in level of 50% or below the initial underlying level, contributed to KRW2.5 trillion, lower than the KRW3.5 trillion from Q2 22.

In Q3 22, the ELS repayment amount came to KRW 6.1 trillion, similar to the level seen in the prior quarter. Early redemption made up KRW5 trillion, translating to a 44.6% increase driven by ELS that were not linked to the HSCEI.

The ELS balance rose to KRW68.1 trillion from KRW60.6 trillion a quarter ago as at 30 September 2022. The HSCEI contributed to KRW20.9 trillion, a similar amount recorded a quarter ago, followed by the S&P 500 (KRW3.9 trillion), Eurostoxx 50 (KRW trillion) and Kospi 200 (KRW3.5 trillion).

“

Local securities houses must strengthen their risk monitoring, particularly on HSCEI-linked structured products

Korea Supreme Court revokes DLF sanctions on Woori Bank chair

Woori Financial Group chairman & CEO Son Tae-seung has been acquitted of charges in relation to the DLF mis-selling incident in 2019 on 15 December 2022.



The ruling comes after the Seoul High Court in July dismissed the appeal by the Financial Supervisory Service (FSS) to impose sanctions on Son (pictured) and another senior executive at Woori Financial Group in relation to the mis-selling of derivative-linked funds (DLFs).

The first trial that took place in August 2021 found in favour of the two bankers.

In a response, the FSS and the Financial Services Commission (FSC) accepted the Supreme Court's ruling and stated that they will introduce new measures to improve the effectiveness of internal control.

'Regardless of the outcome of the lawsuit, the FSS evaluates the fact that the Supreme Court decision recognized the normative power of the internal control criteria establishment and operation standards in the Financial Company Governance Supervisory Regulations and that the appeal had practical benefits,' stated the FSS.

The new guidelines will include fines and a 'disciplinary warning,' which could bar the executives from the industry for three years.

At the annual shareholders' meeting on 25 March 2020, Son won the second term as the Woori Financial Group chair and CEO, while giving away his Woori Bank CEO role to Kwon Kwang-seok.

In the meantime, the Seoul Administrative Court in March ruled against Hana Bank – another main distributor of the DLFs in question and its executives, including ex-CEO Ham Young-joo in the second trial over their pledge to clear the penalty from the derivative-linked fund (DLF) scandal. Ham stepped down from his position as Hana Bank CEO in March 2021 after his six years and was succeeded by Park Sung-ho.

The respective fines for Woori Bank and Hana Bank were initially KRW25.5 billion (US\$20.6m) and KRW22.8 billion, respectively, as proposed by the FSS on 30 January 2020, two months after the regulator concluded its interim investigation on the DLF crisis.

Australia watchdog creates structured products tags

The Australian Securities and Investments Commission (ASIC) has updated its guidance on naming conventions for licensed Australian exchanges that admit exchange traded products (ETPs) following a public consultation earlier this year.

The Aussie regulator has divided the naming conventions into two levels of labelling including primary labels based on product type covering 'ETF' and 'structured product' based on product type; and secondary labels for products with specific risks or strategies covering 'active' and 'complex' structures. Most respondents did not object to the proposed structured product label.

Under the new guidance, primary labels will apply to all ETPs with the 'managed fund' label being phased out on the basis that it 'was not effective'. Secondary labels aimed at active and complex strategies of the ETPs will only apply to products that meet specific criteria.

The new rules state that structured products include 'products that are open-ended and structured as derivatives, redeemable preference shares or debt securities'. 'Most respondents did not object to the proposed structured product label,' said the watchdog. 'However, it was argued that the label has negative connotations, and that exchange traded commodities (ETCs) should be carved out as a separate category of products.'

India green lights structured products overseas

The foreign branches of Indian banks can now offer financial products, including structured products, which the regulator does not allow onshore without prior approval.

Effective from 1 December, a framework set up by the Reserve Bank of India (RBI) enables the foreign branches or foreign subsidiaries of Indian banks and all India financial institutions (AIFIs) to deal in financial products, including structured financial products, which are not available or are not permitted by the central bank in India without prior regulatory approval.

Cooperative banks, regional rural banks and local area banks are excluded from the list of eligible banks.

The new rules are also applicable to the branches or subsidiaries of Indian banks and AIFIs operating in International Financial Services Centres (IFSCs) including those operating out of Gujarat International Finance Tec-City (GIFT City).

RBI issued instructions to Indian banks and AIFIs on the issue of dealing in financial products by their branches or subsidiaries operating overseas via - two circulars circular DBOD. No.BP.BC.89 /21.04.141/2008-09 dated December 1, 2008 and circular DBOD. No.BP.BC.111/21.04.157/2013-14 dated May 12, 2014.

'On a review, it was felt that a

framework needs to be in place to allow them to undertake activities which are not specifically permitted in the Indian domestic market and also to specify the applicability of these instructions to IFSCs in India including GIFT City', stated the central bank in a statement.

However, the relaxed rules come with the same level of compliance with all applicable regulations and conditions for dealing in financial products as set up by the host regulator.

On the compliance side, the financial products dealt with by the foreign branches and subsidiaries as well as IFSCs shall 'attract the prudential norms such as capital adequacy, exposure norms (including Large Exposure Framework), periodical valuation, and all other applicable norms'.

Parent banks will also be required to adhere to more stringent host and home regulations in respect of prudential norms.

The RBI does not specify prudential treatment of any financial products and expects the parent bank or AIFI to seek specific guidance from the regulatory body. The parent Indian bank or AIFI will also be required to ensure that 'dealing

in such products is done with the prior approval from their board and, if required, the appropriate authority in the concerned jurisdictions'. Providers will also have to show that have adequate knowledge, understanding and risk management capability for handling such products.

The parent Indian bank or AIFI can act as market makers for products 'only if they have the ability to price or value such products and the pricing of such products is demonstrable at all times'. Their exposure and mark-to-market on these products shall be 'appropriately captured and reported' in the returns furnished to RBI.

They will be required to provide information about dealing in such financial products as may be specified by the RBI in the manner and format and within the time frame as prescribed by the central bank.

'They do not deal in products linked to Indian Rupee unless specifically permitted by the reserve bank,' stated the RBI. 'They do not accept structured deposits from any Indian resident, and they adhere to the suitability and appropriateness policies as mandated by the reserve bank and the host regulators, as applicable.'

“

Cooperative banks, regional rural banks and local area banks are excluded from the list of eligible banks.

Australia's Stropo shifts gear

September 2022 was a record month for Stropo which has seen growth across all metrics with the company reaching a significant inflection point as the total investment flows from advisors has now surpassed flows from direct investor clients.



Year to date the Australian fintech has launched over 40 products and completed almost 700 transactions through the platform with the bulk of that being adviser driven. Stropo is now trading with six global investment bank issuers and is in the process of onboarding another three.

"We have seen some exciting changes take place across the business over the last few months," says Ben Streater (pictured), chief investment officer at Stropo.

"After establishing product market fit for the direct investors, we put more focus into our Advisor Module."

Stropo recently partnered with Integrated Portfolio Solutions (IPS), an administration hub for private wealth advisers to provide access to structured products from Stropo's global panel of issuers.

"The partnership has since flourished following the successful launch of several co-designed structured products," he says.

CLIENT UPDATE

Up until the end of last year, Stropo's focus was on the country's self-directed wholesale clients.

"Earlier on in our journey, our strategy was to build a structured product platform solution with the end investor in mind," says Streater. "This involved improving access to a broad range of structured issuers and payoffs, delivering solutions to real investor portfolio reporting challenges as well as provide insights, education and tools to manage the product lifecycle."

The fintech has capitalised on the lack the market infrastructure and technology requirements to access structured products among many advisory groups in Australia to offer a solution that "not only allows advisors

“
We always knew that our scale would come from advisors

to execute, clear and settle structured products, but [also] delivers a digital interface for advisors to monitor, track and manage their clients through our comprehensive portfolio across the product lifecycle".

"We are now seeing the groundswell effect of Stropo's solution make waves across the Australian advisor landscape," says Streater.

"We always knew that our scale would come from advisors but there are challenges."

Advisors have their mainstay advice platforms and there is no one solution that everyone is on which makes it a very fragmented technology market.

Streater says: "It is all well and good for an advisor to have a nice, seamless digital platform to execute on. But what happens after that? This is why integrations are key."

Stropo has had success with third party portfolio admin platforms such as ShareSight and more recently with IPS – and has other "popular advisor platforms" in its integration pipeline.

"This is how we will embed Stropo into the broader advice ecosystem," says Streater.

PRODUCT TRENDS - 100% PROTECTION IS BACK

Streater notes that demand for full protection has always been there but there have not been many attractive products given the sustained low interest rate environment.

He says: "How the tide has turned in 2022. We have seen new attractive variations of protected strategies taking advantage of the volatility, widening credit spreads, commodity markets in contango as well as simple vanilla fixed rate notes."

According to Streater, the use of equity underlyings is fairly polarized in Australia with some advisors having "very strong preferences for Aussie names" whereas others seek to take advantage of the fintech's "global capabilities and the opportunity for clients to diversify across US, Asian and European names".

"It plays to our strengths because we can offer a truly global issuer panel, with research, trading capabilities

and presence across all major markets,” he says.

Some of the most popular products transacted by Stropo last year include a commodity carry QIS-linked proprietary strategy issued by Société Générale - a participation note linked to the European Green Deal.

Stropo also leveraged its US issuers “to target strong US Bank names”.

“Locally, we have had immense success with FCNs linked to fixed dividend/decumment index concept made popular in Europe but tweaked for local investors by targeting both the ASX 200 and ASX Financials index,” says Streater.

ESG, CRYPTOS

As it is happening in most markets ESG has become “a hot topic and something that we get asked for”, according to Streater.

“ESG has become a broad term and can mean different things to different people,” he says. “Some appreciate the commercial angle, some see the compliance angle, and some see the impact angle, or a combination thereof.

“It is something that we are here to cater for and provide exposure to. We want to build the offering from the bottom up and if an advisor or a high net worth client wants to access ESG structured investments we are here to help them through that process so that they get the best solution for their mandate.”

Streater points at the carbon-linked notes have been immensely popular with our clients given the attractive levels of capital protection and coupon levels.

“Does it fit within ESG? I guess it depends who you ask, but no doubt the contango evident in carbon markets

is there due to the strong commercial demand of carbon credits and related green projects,” says Streater.

Stropo has also been able to respond to domestic demand for digital assets and cryptocurrencies as Marex Solutions is one of the issuers in its platform.

“The great thing about having a broad panel is that you can really make the most of the strengths each issuer has from a trading capabilities perspective,” says Streater, adding that the non-banking issuer “offers probably the most digital and technology focused structured product engine we have dealt with across the panel”.

“And they can also issue crypto products which adds to our offering. We understand Stropo was one of, if not the first, to launch the first structured product linked to Crypto well over 12 months ago.”

Maybank gains momentum in Thai market

The Malaysian bank is setting a foothold in Thailand three months after its debut.



Maybank has issued almost 30 structured notes with total notional of THB200.6m (US\$5.8m) in Thailand since it entered the domestic market three months ago.

The Securities and Exchange Commission (SEC) of Thailand has

reported that Maybank Securities (Thailand) appears as the issuer and distributor of 27 structured products issued between 23 August and 22 November.

The equity-linked notes feature knock-in and knock-out payoff profiles, and offer exposure to single and baskets of Thai stocks including Siam Commercial Bank, Bangkok Dusit Medical Services, Bumrungrad Hospital, Jay Mart, PTT Exploration & Production, Plan B Media, Bangkok Bank, Central Retail, Gulf Energy Development, SCG Packaging, KCE Electronics, and Bangkok Expressway & Metro.

With a tenor of six to nine months, the non-capital-protected structured notes offer coupons of between six percent and 11% pa, according to the SEC filings – the notes are denominated in Thai baht and only available to high-net-

worth investors (HNWIs) or institutional investors as required by the country’s regulations.

The fully-owned subsidiary of Maybank Group, which owns the largest Malaysian bank by assets, debuted its first structured note in Thailand on 23 August, tracking the performance of the Siam Commercial Bank share, SRP data shows. The product generated a sales volume of THB6m during a one-day subscription and will mature on 19 May 2023.

The Malaysian bank intended to enter the market in 2021 following the announcement by Arapat Sangkharat (pictured), deputy chief executive and officer at Maybank Securities (Thailand) of the launch of a structured products range and a new digital platform, in its H1 2021 earnings report. Maybank declined to comment on the product launch.

Vontobel exits parts of Asia business, relocates WM head

The Swiss bank will stop offering leveraged products to Hong Kong private clients and will set up a structured solutions financial institutions unit as part of its restructuring in Asia.



Vontobel will cease its issuance of listed structured products in Hong Kong SAR after five and a half years in the listed market. However, its liquidity provider Vontobel Limited will 'stand by all obligations,' according to an internal memo seen by SRP.

The Swiss bank will reorganise its business in Asia with the merger of advisory investment solutions (structured solutions & treasury AIS) and wealth management in Asia to become the new structured solutions financial institutions unit. However, it will continue to serve institutional clients and financial intermediaries with structured solutions as well as asset management clients in the city, stated the memo.

We have decided to merge the SST AIS and WM Asia units into the new Structured Solutions Financial Institutions unit - Markus Pfister

Additionally, Vontobel will phase out custody and execution services for external asset managers (EAMs) in Singapore.

The restructuring is 'in line with [Vontobel's] strategy and priorities to,

among other things, reduce business portfolio complexities and further concentrating [its] resources on profitable growth,' stated the memo.

The Hong Kong team has been informed over the past few days with employees of the structured solutions & treasury (SST) unit being notified about the bank's plans in a townhall on 16 November hosted by Markus Pfister (pictured), head of SST at Vontobel in Zurich.

Vontobel Bank is the issuer of 563 live structured products listed on the Hong Kong Stock Exchange – 101 derivative warrants (DWs) and 472 callable bull/bear contracts (CBBCs) – with Vontobel Ltd acting as the liquidity provider.

As part of the restructuring, the SST's AIS unit became structured solutions financial institutions at the year-end.

In recent years, Vontobel has significantly expanded its global distribution network for structured products, according to the bank.

'Our investment products are offered by many international banks in Switzerland, Europe and Asia. To support this development, we have decided to merge the SST AIS and WM Asia units

into the new Structured Solutions Financial Institutions unit,' said Pfister.

The new unit will be led by Georg von Wattenwyl, CEO of Vontobel Singapore and head of wealth management for Asia. He will return to Zurich towards the end of 2023 following a four-year mandate in Singapore - he will lead the structured products teams in Switzerland, Europe and Asia. Von Wattenwyl was put in charge of external asset managers business in Asia and family offices globally in 2018.

In July, the bank announced that it was phasing out its wealth management business in Hong Kong SAR.

'We would like to thank our colleagues who, with great dedication, have successfully gained market share in the very competitive derivatives business with private clients in Hong Kong over the past years in at times turbulent markets,' said Pfister.

'Hong Kong is a demanding market, and our team has done an excellent job. However, a successful strategy also involves setting priorities. We have done this by deciding to focus our growth in Asia.

“
The Swiss bank has merged advisory investment solutions and wealth management in Asia

HSBC debuts capital at risk equity deposit

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) 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.

“

The new offering is aimed at investors with a ‘speculative’ risk profile and two years or more of investment experience

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 Marknode 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 Marknode, a joint venture between the Singapore Exchange (SGX) and Temasek, according to a statement

released by the financial regulator on 2 November 2022.

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 Marknode 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.

Nomura targets Dubai investors

Nomura has opened a branch of Nomura Singapore Limited at the Dubai International Financial Centre, United Arab Emirates, to expand the scope of its International Wealth Management business in the Middle East.

The Japanese bank has received in-principle approvals from the Monetary Authority of Singapore (MAS) and Dubai Financial Services Authority (DFSA) to establish its wealth management relationship center in the Middle East and commence operations on receipt of the DFSA license.

'We hope to bring our leading institutional product suite including structured solutions to meet the sophisticated needs of entrepreneurs and ultra-high-net-worth clients in the Middle East,' said Rig Karkhanis, deputy head of global markets and head of global markets, Asia ex-Japan.

The launch marks the division's latest expansion to broaden its coverage of ultra-high-net-worth clients in its target markets of Greater China, Southeast Asia, the Middle East and the global Non-Resident Indians segment, all currently served by about 90 private bankers based in Singapore and Hong Kong.

Europe's regulatory agenda leads to new challenges

Regulatory issues continue to dictate the agenda in the structured products market – next year the focus will be on autocalls, inducements and ESG.

//



Image: Adobe Stock/Tierney

Market observers have mentioned more than once on this website how hard it would be to create the pan-sectoral, pan-European alignment of consumer standards that are supposed to emerge from the European Commission's Retail Investment Strategy Review - RIS being that bit of the Capital Markets Union Action Plan designed to ensure retail investors have adequate protection, bias-free advice, clear disclosure and market access as the EU deepens and broadens the funding available to the companies sheltering under its wings.

Now, the European Commission appears to have caught on. Late last month, when a political decision on the future of the review was due, Commissioner Mairead McGuinness called for extra background atop an existing 300-page quantitative study. The commissioner's request, and the impact assessments that will follow, mean RIS is likely to be delayed until at least Q2 2023.

When it does appear, its ambition is likely to have been scaled back. Where once were mooted a root and branch reinvention

of the PRIIPS regime, and a pan-European inducement ban, Wulf predicts, "We're not going to see any level one changes. Worst or best case, depending on your point of view, we'll see a principle-based document rather than specific proposals."

The commission has discovered it may not be as easy as they thought, he explains, to draft amendments to existing legal provisions across assets and product types with very different histories and structural forms.

Indeed, we can only imagine the lobbying barrage on inducements, for example, as the commission undertook this autumn's informal sector-by-sector consultation. Banning in-built commission may be no stretch for banking products, but it lies at the core of the insurance distribution model.

A recent Eiopa article hints, "Too often the debate is a binary one between banning or not banning commissions."

Wulf concedes the Commission may say something on payment

for order flow, though that too might be deliberately vague. “Whatever they come up with they will not touch Priips, because they simply don't have the resources now to engage with a level one review, knowing that this is Pandora's Box,” he says.

He concludes that part of the problem is, “There is no problem. The whole Fisma directorate [for financial stability, financial services, and capital markets union] has been tilted to consumer protection, only to find there are no obvious shortcomings,” beyond, as he admits, ‘greenwashing’ of financial products. That, though, is not a part of the Retail Investment Strategy but addressed by secondary measures at the Esma level.

But in the spirit of an end-of-year review, we can't close without at least pointing to agenda items for 2023 and beyond. At least some of these do have the potential to be significant from a business point of view.

NITTY GRITTY

To start with what we can easily dismiss as largely irrelevant to the structured products sector, on 1 January Ucits will finally lose their exemption from producing the Priips key information document.

Then comes the nitty gritty, technical detail on which Eusipa has been beaver away. A dedicated working group has been working on how to apply the spirit of the RTS technical standards rules, mainly for autocalls – devising the right methodology to assume a given autocallable event, and how to write the performance forecast after that event. On this, Wulf says, “We're confident we've offered a solution that meets the business need.”

And last, but of planetary importance, is the work Eusipa has been doing on ESG disclosure. Mifid rules introduced in August ask distributors to look two ways – to the advised or portfolio management client to ask how ‘green’ their product needs to be, and to the provider for the information. As of 1 January (four months after the fact, thanks to a typical, if ill-tuned, regulatory two-step), corporates will be obliged to disclose the information according to the relevant standard.

“This is the big game changer for the sector,” says Wulf, “because we needed to develop a methodology for how we can best accommodate that.”

The European industry has concluded that there are three relevant ways to evaluate a structured product for its ESG contribution, based on the categories offered in the legal text.

All are based on how issuance proceeds are used, whether for general funding or allocated to a pool-based structure.

The first approach, which can be used for determining the values of two of the Mifid categories, uses delta to quantify economic exposure to the underlying provided by the derivative component, which could then be coupled with the Green Asset Ratio (GAR) of the financing component.

A balance sheet-only approach might otherwise apply. It eschews the difficulties involved in assessing the derivative component by assessing the issuer's general balance sheet on the basis that issuance proceeds flow here first. Two variations exist under this methodology.

One would be scrutinising the use of proceeds by assessing the ESG quality of an asset pool held on issuer balance sheet, which is highly relevant where securities commit proceeds to a specific use including non-SPV Green Bonds, the sustainable asset pool concept developed by the Germany's DDV, and other structures committing proceeds to ESG use. Another, softer, approach is to look at the general balance sheet of the issuing financial institution, in particular its “loan portfolio GAR” (instead of the GAR of an asset pool).

A third variation for structuring ESG structured products is an approach using Principal Adverse Impact (PAI) indicators as an ESG attribute, which does not yet trigger a need to quantify the ESG effects as the other methodologies require.

At this still early and contested stage of ESG investing, Eusipa is not advocating one approach over another. This seems sensible given the scrutiny the ESG investing industry has come under and how much it is likely to have to change in the future.

And it is an approach that fits with the mood described earlier, of taking care only of the necessary detail, to allow the industry room to breathe, both for its own sake so it can start on its journey toward the greater good.



Banning in-built commissions lies at the core of the insurance distribution model

Bloomberg indices return to the market

The company's index arm has capitalised on the trend for decrement strategies over the last couple of years increasing its footprint in the structured products market as a sole provider of index strategies to the market.



ago with the Bloomberg U.S. Large Cap Index (ticker: B500) as well as growth, value, and dividend indices."

Bloomberg's flagship equity index was launched nearly two years ago - the global equity benchmark Bloomberg World Large & Mid Cap Index, which has history going back to March 2007.

"This gave way to a full catalogue of indices offering complete coverage of global developed and emerging markets via traditional market cap weighted regions, countries, and sectors," says Rotander.

"We also act as a calculating agent for indices developed by investment banks."

STRUCTURED PRODUCTS

It was only a matter of time before Bloomberg's indices returned to the structured products market as this market represents an important business for index providers.

Rotander notes that it was "an obvious market once we had built out our capabilities" as structured products also provide the opportunity to expand the company's existing relationships with banks that are using its fixed income and commodity indices and are active in the structured products market.

"The initial launch of the global equity index family gave us a foundation in terms of global coverage and a methodology to utilise Bloomberg data and other capabilities to offer custom strategies and solutions," says Rotander.

An example of this is the Bloomberg US Analyst Recommendations Index (USANR Index) that uses the Bloomberg Average Consensus Rating score to identify companies to be included in the index.

"Having the ability to customise strategies such as decrement indices and custom baskets has also opened new opportunities," says Rotander.

SCOPE FOR GROWTH

With product manufacturers recognising that Bloomberg has "a very strong proof of concept" Rotander's team is working

Bloomberg which no longer administers the UBS CMCI range of commodity indices and rebranded in August 2021 the range of Barclays fixed income indices it acquired in 2016 deployed 14 decrement underlying strategies throughout 2022 which were featured across over 120 products worth an estimated €726 million.

The company is capitalising on high-level acquisitions over the last few years to bolster its index business. The big transformative event to build Bloomberg's index business came in 2016 when the company bought the fixed income index range from Barclays, although the first foray was in 2014, when it took over the administration of the Dow Jones UBS Commodity indices family.

"We then had very strong fixed income and commodity franchises which left an obvious gap on the equities side," says Erik Rotander (pictured), head of EMEA index sales, Bloomberg Index Services. "Since then, we have been busy building our in-house equity index offering which was launched three years

closely with issuers of structured products “to grow and really make an impact in this market”.

“We think we have the product, the tools and the brand to do so. It is a very competitive market, but we think we can compete and win deals on merit. We have the product to do that,” says Rotander.

“Competition at the end of the day is good for index providers, clients, and for the market. It's not something that we shy away from.”

The structured products and ETFs market has become a space for innovation, particularly around quant strategies, ESG, and thematic, as investors demand tailored strategies and a shift from the one-size-fits-all approach.

“We want to utilise our custom capabilities to continue delivering bespoke strategies, such as decrement indices, custom baskets, ESG and climate offerings covering all asset classes and different weighting schemes (everything from market cap weighted to more factor driven approaches such as low vol),” says Rotander.

IN-HOUSE ECOSYSTEM

One of Bloomberg's differentiators for its equity indices is that as a data company it has access to rich in-house data and does not need to only source from third parties - Bloomberg also has its own classification system.

“We house the whole value chain, increasing our efficiency and allowing us to provide quick turn-around and speed to market,” says Rotander.

“All indices are designed according to a transparent, replicable, and rules-based processes, adhere to broadly customisable formats, and receive oversight from dedicated governance committees that ensure seamless benchmarks launches, fixes, and material changes.”

Another advantage is that Bloomberg Indices are available on the Bloomberg Terminal, “providing a seamless integration and decomposition of portfolio and index performance”.

Any party involved in a structured product transaction has access to a Bloomberg Terminal and can access any information – methodologies, etc. – about the indices in real-time and use analytical functions such as comparing changes of an instrument and view results in nominal and graphical terms via the COMP function, look at constituent members (and weightings) of indices via the MEMB tool as well as portfolio & risk analytics (PORT) to interrogate the indices.

“The transparency we provide on the Terminal is another added value of Bloomberg Indices,” says Rotander.

“Transparency and quality of data are key for index

providers and consumers and the Terminal provides a powerful magnifying glass through analytics to really understand what is going on in the index.”

Bloomberg is also seeking to leverage its brand to position its indices.

“The market understands that we are here for the long run. As an integral part of Bloomberg, Bloomberg Indices has access to an unparalleled breadth of trusted data and reliable technology for calculations, analytics and workflow automation, along with distribution capabilities that can help amplify the visibility of its customers' products.”

OUTLOOK

As an index provider, 2022 is the year Bloomberg broke into the structured products market. The company recently licensed its suite of equity PAB indices to Ossiam and also has thematic and ESG indices being used by ETF providers with Goldman Sachs for Clean Energy and Kraneshares for Electric Vehicles being two examples.

In the structured products market, Bloomberg's top three indices - Bloomberg Luxury 2021 Decrement 50 Point EUR Index Count (39 products); Bloomberg Transatlantic Top Banks Decrement 50 Point EUR Index Count (29 products) and Bloomberg Eurozone Top 30 Banking Decrement 50 Point EUR Index Count (25 products) raised over €550 million, according to SRP data.

Most of the products were sold in France with four marketed in Italy via BNP Paribas and one each in Finland (OP Pohjola Group) and Sweden (Strivo Ab).

“It is a big opportunity for us and the banks we work with are testimony that we can play a role in the market with our indexing capabilities,” says Rotander.

“The structured products market has proven to be resilient and continues to be relevant to investors despite its various challenges like the impact of the Lehman Brothers' collapse.”

The industry's focus on innovation has enabled the market to stay relevant and respond to the needs of investors and is also playing on the strengths of Bloomberg

“The market will keep innovating and will capitalise on the flexibility of the product to be tailored to different needs and risk profiles and deliver solutions to end investors that can't be delivered through other investment vehicles,” says Rotander.

“With interest rates going up, I expect demand will continue to grow as capital protection is now a feature that more readily can be built into structured products again.

“We see a lot of scope for growth for our equity solutions in the ETF space as well.”

Morningstar begins year on a high, seeks to capitalise on shift towards customisation

The index provider has seen its footprint in the structured products market increasing significantly since the beginning of 2022.



Wide Moat Fc TR Index (four products/US\$85.35m); Morningstar Wide Moat Focus Target Volatility 5 Index (11 products/US\$30m); and Morningstar Wide Moat Focus Target Volatility 20 (five products/US\$5.2m).

The latest launch of the Morningstar France Positive Economy Select 30 index in partnership with Citi, was preceded by the launch of the first global unicorn index series and a new direct indexing service in late 2022.

“For us, it's been a year in the making and we are still developing our footprint within this space,” says Julien Thibaud (pictured), director, head of derivatives products, Morningstar Indexes.

“In the last year, we have launched around 25 custom indices across a large spectrum of exposures, of which a majority were designed for yield enhancement products – autocalls – with decrement features.”

Sector indices have played an important role this year. Following the recent market movements, issuers and distributors have privileged straightforward strategic positioning around several industries such as oil, gas, and banks, natural resources.

Those sectors have been a strong area of focus from a product development point of view and been at the centre of some high profile deals this year - Citi licensed the Morningstar Eurozone Gender Diversity Select 50 Index in the summer and HSBC launched a series of products in China in Q2 linked to the Morningstar Exponential Technologies ESG Screened Target Volatility 7% Select Index.

Thibaud expects more flow on the back of it, as well as ESG and thematic exposures.

“We're looking at a very strong year for our indices in the structured products market,” he said.

NEW KID IN THE BLOCK

According to Thibaud, the response Morningstar is getting from the market is positive for multiple reasons - issuers appreciate competition within the index space because this means better offering, reduced cost, more quality and a way to disrupt the oligopolistic set up of the index market. Morningstar as a brand also resonates well with clients.

“Competition is healthy as it challenges product providers and benefits the end investor, our mission is to empower client

Morningstar indices plan to target the structured products market in Europe is gaining momentum following the introduction of several new indices in the structured products market in 2022.

SRP data shows that 33 products linked to Morningstar indices raised more than US\$162m in 2022 mostly in France and Italy's public markets – this figure, however, does not reflect the full picture as it does not include private placements and ETF licensing.

In the US, there are also a number of Morningstar indices featured across live market-linked certificates of deposit (MLCDs), SRP data shows.

These include the Morningstar Dividend Yield Focus Target Volatility 5 Index (42 products/US\$190.6m); Morningstar Ultimate Stock-Pickers Target Volatility 7 Index (59 products/ US\$92.29m); Morningstar Exponential Technologies ESG Screened Target Volatility 7% Index (30 products/US\$45.3m); Morningstar

Index	Issuance	Sales (USDm)
Morningstar DM Europe Large-Mid Oil & Gas Decrement 50 Point Index	13	74
Morningstar Developed Europe Renewable Energy Select 30 index	9	62
Morningstar Eurozone 30 Basic Resources, Banks and Energy Index	9	19.18
Morningstar Medalist Europe Equity Fund DR EUR	1	5.59
Morningstar Eurozone Large Mid Banks index	1	2.3

Source: StructuredRetailProducts.com

success” says Thibaud. “We believe we have several comparative advantages to compete in this space.”

From an ecosystem point of view, Morningstar is leveraging other businesses within the group such as Morningstar Sustainalytics, Equity research and PitchBook in the private equity space, which provide the index business with the necessary building blocks to design quality indices.

“Having these unique research capabilities and data sets in house is a privilege from a design capability, but also from an operational and cost efficiency point of view. The pure open architecture model is being challenged because the cost and operational considerations of relying on external providers,” says Thibaud.

Morningstar sees the structured products market as a space where its index business has significant scope for growth. The structured products market is moving towards customisation with indices introducing differentiated features to address the fragmentation in the ESG space for instance.

“We are positioning ourselves in this space because we can offer value and capitalise on the market shift towards customisation,” says Thibaud.

“Customised indices are also bringing value to issuers. It provides differentiated offerings, but also enables them to diversify their overall exposures and risk. We are here to help our partners designing tradable and unique solutions and recognise that index methodologies play an important role within the overall product attractiveness.”

According to Thibaud, structured products are well suited for the current market environment, as opposed to pure linear type of investment like ETFs and delta one structures.

“Having products which offer different types of payoffs really enables investors to have a wider spectrum of investment profiles that really sticks to their specific needs and risk appetite,” he says.

With interest rates rising, the discussion is gradually shifting towards participation products. Those are well suited for rising interest rates and issuers can afford more on the optionality, according to Thibaud.

“In this context, we are starting to see a renewed demand for low vol type of indices,” he says.

“The trend has not been materialised yet, and yield enhancement products remain popular, but the change in market dynamics will be reflected in the product mix.”

NEW LAUNCHES

The Morningstar France Positive Economy Select 30 Index launched in mid-December 2022 pursues objectives that align with environmental, social, and governance standards and is built with data and scoring methodologies from the Positive Planet Foundation, an organisation measuring the positive impact of French businesses and corporations..

The objective of the index is to be composed by the 30 best performing companies in terms of Global Positivity Score set by Positive Planet. The Index also excludes companies based on ESG data from Sustainalytics.

“This index has been developed in partnership with Citi and Positive Planet – it is the latest example of our intention to diversify our offering with new solutions for investors.

The Morningstar PitchBook Global Unicorn Indexes also launched at the end of 2022 is the first index series to provide daily insights into the behaviour and performance of late-stage venture capital (VC)-backed companies, and aims at giving investors better understanding and access to the rapidly growing but difficult-to-track asset class.

This new series of market indexes combines analytics from VC data, and insights from PitchBook, an independent subsidiary of Morningstar offering several benchmarks for the late-stage venture capital market.

The latest development beyond the index business comes from Morningstar Wealth which has launched Direct Indexing, a new investment offering ‘to help deliver greater personalisation, automation, and tax efficiency for advisors and their investors’.

Morningstar Direct Indexing combines several of the company’s in-house capabilities including Investment Management, Indexes, Sustainalytics, and Equity Research. Direct Indexing portfolios will be made available through the Morningstar Wealth Platform to start.

“Morningstar is always looking for new ways to help investors and direct indexing is a great way to serve advisors and their clients,” says Robert Edwards, product manager, EMEA, Morningstar Index Products. “We do see direct indexing as potentially a big shift in the way people invest. It is still early days, but product providers are building out that capability and we can leverage our in-house capabilities to support this activity.”

According to Edwards, this is an emerging part of Morningstar as the company seeks to engage in new and collaborative ways with advisors to help them to tailor portfolios more “intuitively and effectively”.

“[The new service] leverages the strengths of Morningstar to allow advisors the ability to engage in new and collaborative ways,” says Edwards. “As the market gets more customised, especially in areas like ESG, direct indexing can help with portfolio diversification and by providing access to new investment opportunities.”

Edwards expects Direct Indexing grow in popularity in the US market, as investors seek access to institutional products.

“As we have seen with a number of US originated products it is a matter of time until a type of DI transitions over the Atlantic to the EU market,” he says. “This fits with growing global trend of customisation which we have seen increase over 2022 and is why we expect to see interest in structured products grow.”

BBVA: growth is coming from tier one private banks

The Spanish bank is entering a new phase serving bigger clients in a more competitive environment.

//



“
2023 will be a year of transition before the equity market recovers

B BVA Investment Solutions is still in build-up mode and developing its offshore and onshore footprint in the Americas with a special focus in the US market, Mexico, Peru and Colombia where the bank wants to leverage its internal commercial networks.

In Asia Pacific, Singapore, Hong Kong and South Korea remain a focus for the Spanish bank as the bank believes there is scope to establish its brand and room to grow the structured products business.

In Europe, the bank will continue to cover the UK and Switzerland from its London desk, with the Paris team servicing France and Benelux, the Dusseldorf desk servicing Germany/Austria and Eastern Europe, and Madrid covering Iberia.

“We are now entering a new phase where the depth of our offering and our brand allow us to have a different conversation with bigger clients. It is very rewarding to see

how big global tier one private banks have onboarded on the ePricer platform,” said Daniel Hernandez (pictured), head of e-connectivity sales at BBVA.

GAME CHANGER

This will be a game changer for the Spanish bank as it will be entering a pool of billions of assets across markets.

“This shows we are going in the right direction to match the offering of some of the bigger players in the structured products market,” said Hernandez. “We are now part of a group of leading banks in the structured products market serving premium clients when it comes to pre- and post-trading, and pricing and execution. There is demand for these products and our platform is scalable.”

BBVA is not looking to cover all products/clients/jurisdictions, but it has a roadmap with “a clear growth plan based on establishing a strong foothold in key markets and expanding the product suite to reach more and bigger clients”.

“The goal now is to consolidate that presence and become a leading provider by responding to the needs of these clients in a more competitive environment,” said Hernandez, adding that the overall market sentiment going forward is 50/50 on the basis that after a tough year there could be a shift in client activity and the market remains well positioned to move forward.

“We think next year will be a year of transition before the equity market shows signs of a full recovery and we see a strong return of flow products.

“The position of structured products is not being challenged by any other type of investment (mutual funds, ETFs, fixed income bonds) and will remain a consideration for any investment portfolio going forward. Our growth and offer in FX and credit structured investments arena will allow us to continue expanding our business.”

MARKET TRENDS

At a market and product level, Hernandez confirms the transaction volume has fallen because rollover levels have dropped as a result of many autocall structures not calling this year.

“There is less new business across the board and less concentration on autocalls. However, the data going through our platform shows that the behaviour of distributors on equity RFQs has not changed,” he said.

Autocall and Phoenix structures continue to be at the top of the RFQ list with a slight increase in RFQs on participation products with some kind of leverage /booster features, as

well as twin wins and reverse convertibles, according to Hernandez.

“If 75% of the RFQs were on autocall/Phoenix structures last year, this has come down to 50% this year,” he said. “We don’t see a big shift to other products but a slowdown in autocall issuance because of the lack of rollover money.”

However, Hernandez points, in the current environment there are few investment products that can offer as much flexibility as structured products and can offer real value – low strikes, and high vol with potential for upward or sideways moves.

“It comes as no surprise to BBVA that the level of RFQ activity remains high despite the reduced number of trades – an advisor with five autocall in its portfolio below 50% of their value doesn’t have room for new products,” he said. “New business is coming from big private banks that are looking at structured notes for the first time.”

According to Hernandez, the trend is different from previous market cycles in that the activity has remained steady – but the product mix has not changed much in terms of underlyings either.

“With the current interest rates environment, we are positive as there is more room to play with options budgets and capital protection becomes a real selling point,” said Hernandez. “Being able to get exposure to the market for three to five years and protect your capital is a no brainer. As the market recovers, rollover money will return to the market and stabilise the volumes.”

“

We are now part of a group of leading banks in the structured products market serving premium clients when it comes to pre- and post-trading, and pricing and execution

SG: short durations remain a challenge for structured products in Apac

The bank has seen increased demand for income payoffs with downside protection and expects a renewed push for hybrid asset PPNs in 2023.

//



“

We are finally in a regime where cash yields

In an interview with SRP, Jung-Jin Yoon (pictured), head of global markets cross asset sales, Asia Pacific (Apac) at Société Générale, reflects on the structured product market in 2022 and shares his outlook on equity and hybrid asset strategies for the new year.

Jung-Jin Yoon (JJ Yoon) notes that 2022 was an extremely challenging year on equities across all markets, but on the flip side it was also “quite an impressive year” for fixed income in most Apac countries where structured products have typically been used as a means of generating stable income in a very low interest rate environment.

“Today we are finally in a regime where cash yields,” said JJ Yoon. “Hence this has shifted the investment cycle from equities to fixed income driven by capped-floored floaters and fixed rate notes.”

Obviously, according to JJ Yoon, as rates pick up, the sentiment in the equities market has been fragile triggering a return to basics shift.

“There is massively higher demand on principal-protected structures. I don't think there has been any

blockbuster new products in the market. It has been a return to basics,” said JJ Yoon.

What changes have you seen in the market in 2022?

JJ Yoon: One change we have seen is a slight divergence in investment duration. In Asia, investment cycles are usually one to two years. It goes to three years in terms of fixed income products. Now we see high-net-worth individuals (HNWIs) keeping their investment durations on structured products relatively short versus retail clients. This is potentially for tactical reasons as investors expect a rebound on equities and don't want to get locked up on fixed income structures for too long. On fixed income, it is no surprise that clients are most familiar with interest rates, which is the largest asset class traded year-to-date I would say. Second is credit followed by foreign exchange (FX).

What difficulties has SG faced in expanding the structured product business in Apac?

JJ Yoon: One difficulty we have always faced in the Asia retail space is that the investment duration is very short. Investors tend to prefer income over growth [structures]. When it comes

to structured products, usually the longer the maturity, the more room you will have to generate protection that investors can benefit from and the more structured alternatives we can propose.

As a market, if we are able to tackle this, it will create much more opportunities on structured products for Asian investors. Product providers are now much more conscious of their need to expand their offerings as we had never had a year like this where activity on equities have been tough for the full year over the past decade.

How has SG shifted its issuance and hedging strategy in 2022?

JJ Yoon: Last year there was a view that markets were on the higher end, so for us we continued to push products with more downside protection. That push is still ongoing, including the 'three to one autocall' or 'switch-to-mono' and Darwin structures. We have seen quite a few more clients onboard these payoffs with us in preparation for a renewed push in 2023.

In this principal-protected market where the usual structures include shark fin, twin win and digital coupon notes, a lot of the products traded are pretty vanilla in nature. Hence, we have been focusing on boosting income apart from relying solely on banks' funding. One of our focus has been to come up with principal-protected notes (PPNs) where we generate income plus a call on a strategy.

Another key ongoing success we've had in 2022 is with our FX hedge and decrement indices which embed a fixed cash dividend component tracking benchmark indices such as the S&P 500, Eurostoxx 50 and Hang Seng China Enterprises Index. It is an offer that we have sold to both institutional and HNW investors for the past few years, but the range of indices evolves each year.

Could you explain how the 'switch-to-mono' and Darwin payoffs work?

JJ Yoon: For the switch to mono, SG has been the first bank to design the three to one autocall, a new payoff in Asia. If no autocall event occurs during a pre-defined period, this feature changes underlyings from worst of three indices to a mono underlying based on the least performing underlying on the relevant observation date.

Darwin is a six-month to one-year product designed for investors with a moderately bullish or bearish view on at least one underlying offering monthly fixed coupons. It comes with potential monthly early redemption upon autocall and possibility for the autocall observation to be linked to the best performing underlying at maturity.

What other offerings would you highlight and plans for 2023?

JJ Yoon: We also want to look at hybrid offers embedding principal protection, such as by renewing interest on mutual funds or quantitative investment strategy (QIS) where you have a

mix of income and upside exposure. We have reached a level of rates that can be quite attractive for hybrid assets, whether it is on full principal protection or partial protection depending on our investors' yield target.

On QIS, the bulk of the multi-asset offers in the market we have seen in 2022 have been on all-weather strategies, which is a mixed portfolio of equity, commodity, rates and FX with an aim to become more market neutral. Issuers then write call options on the back of these strategies as part of their PPN offerings. It is a key push that will continue into early 2023 as we still see solid demand.

On the ESG side, many of the strategies that had been sold were primarily linked to equities in the past years, where this was not free from the impact of the risk-off sentiment in 2022. However, we continue to see growing demand on this space both on retail and the institutional space. We've seen increasing demand in Apac when it comes to positive impact Formosa trades, more interest on multi-asset indices in Southeast Asia through a combination of exchange-traded funds (ETFs) on equities and bonds, and of course the interest on ESG thematic on principal-protected formats.

What is your view on the momentum of PPNs?

JJ Yoon: Speaking with clients and investors, there is a prevailing view on peak rates in 2023 which may lead to a downward trajectory on rates. Naturally, income will come down on PPNs which have been the central portion of the structured product development in Q3 and Q4 2022. Moreover, we have not seen a large portion in recovery products on equities, which I think showcases that sentiment has not turned bullish at any point throughout the year. This is an area where innovation on recovery can clearly have an impact primarily through the deployment of hybrid offerings. PPNs are likely going to be the focus for at least the first half of 2023 and see a transition to offerings with more risk towards the second half.

What is your outlook on the Japanese market in view of the recent regulatory intervention?

JJ Yoon: Japan has also been a tough spot starting from Q3 2022 due to the regulatory scrutiny on structured products sold to retail investors. There is some new guidance that awaits clarity going into Q1 this year. The concern from regulators is on the disclosure of fair value and fees on structured products, where regulators are seeking a more transparent framework. This comes as equities underperform and a lot of products have breached their put barrier resulting in investor losses.

Ultimately, it is a matter of product transparency, fee disclosure and product suitability and once we have clarity in January, I believe the equity structured product market will adapt and rebound. The fixed income market in Japan is a very mature market and has done quite well in 2022. This year we are looking forward to a good mix between both equities and fixed income in this region.



SOCIETE GENERALE JOINS SPECTRUM MARKETS

In Spain and the Nordic countries

- MORE PRODUCTS ON-VENUE
- MORE ACCESS TO CUSTOMERS
- MORE LIQUIDITY FOR RETAIL TRADERS

A BETTER WAY FOR EUROPEAN MARKETS

An exchange designed without compromise for tomorrow's retail investor. Breaking free from traditions to provide an agile venue with greater access, transparency and efficiencies. Our proprietary venue is built from the ground up for stability, scalability and continued progression.

- Total transparency
- Trade with more freedom
- Zero trading fees

Grow your retail client business
spectrum-markets.com

Spectrum comes of age

The pan-European multilateral trading facility for securitised derivatives reached several milestones in 2022 including the addition of new brokers and market markers, and the launch of a range of crypto turbo certificates.

//



“

The results are a by-product of our overall activities

Spectrum Markets ended 2022 on a high having registered around 2.6 billion securitised derivatives trades across nearly eight million trades and a turnover of just over €5 billion.

In the third quarter, Spectrum Markets saw around 400 million units traded, which was a year-on-year increase of 100%.

“Growth remains consistently strong,” said Nicky Maan, CEO at Spectrum Markets. “The results are good, but they are a by-product of our overall activities. We really are in the phase of our business where we are still putting fundamental blocks in place. The concentration and the focus throughout the organisation is on getting those blocks in place, increasing our product set and our product manufacturing offering, and then obviously increasing the distribution.”

Maan is satisfied with the company’s growth as it comes out of the phase of being a start-up.

“We are a young business rather than just a start-up. The focus is firmly on putting the fundamentals on increasing the products and making sure that we have the suite of products that we want efficiently and being able to expand that distribution network into the retail community across Europe,” he said.

How do you rate the partnerships with Société Générale (SG) and Intermonte announced in 2022?

Nicky Maan: Each member that joins is an element of backing and investment because they put time, they put resource into joining Spectrum and they obviously believe the vision and the business going forward for themselves to benefit from the infrastructure that we’re providing.

Adding Intermonte shows a couple of things. First, that we start to expand our distribution network on the brokerage side, but also into the Italian market - we are really being pan-European. The same goes for the addition of iBroker in Spain. These agreements are helping us to expand the distribution network in other markets.

The Société Générale news is for different reasons very much a milestone for the organisation because we are bringing a premium name. SocGen obviously incorporates the old Commerzbank in Europe and in Germany as well. Société Générale brings the credibility of the name and will expand the product offering in Spain and the Nordic countries, but also for us it is another issuer on the product manufacturers side.

Every membership at this stage, whether on the brokerage

side or on the product manufacturer side is precious. They all bring credibility and are making a statement in the market in terms of where Spectrum is heading, which of course makes life easier for further memberships.

What are the main challenges to increase adoption of listed and leverage products? How can you help to grow the listed products market?

Nicky Maan: Because of the number of products the market is always going to be fragmented. There is never a one market picture. Especially in Europe, where you are talking different countries, different products. Generally speaking, the long-term trend has been that the market is growing. However, overall market activity has dropped back a little from where it was at peak Covid levels, which was to be expected.

We are aiming at growing the market, but also at bringing a more efficient and better way for the retail client to trade in the market. We are not necessarily dependent on the market growing, but obviously that would help. We are trying to bring in an offering for the existing market with an infrastructure that is specifically built for the retail client. This is where we think we have something to say and where we can see traction in the market and hopefully add something that is superior to the existing trading market.

What is your outlook for the listed products market?

Nicky Maan: The truth is always in the middle. We are dealing with structured products on the retail market so there is always going to be a regulatory element, and quite frankly, there's a need for a regulatory element because you need certain standards to provide these products to the retail audience. I don't see that as a dark cloud from where we come from with our ethos.

We want to trade everything on venue which offers inherent transparency and is the ultimate tool that you can provide both to clients and to regulators - everything is open, and there is no room for anybody to manipulate or to see prices or to do something untoward.

On the other hand, it is never going to be plain sailing. Retail investors over the last 20 to 30 years, have had a need to invest and take their own decisions for their financial investments - trading and investing in structured products is always going to be a part of that. No regulator that I have spoken to wants to eliminate it, but they want to make sure it is offered in the most sensible way and the most appropriate way for retail clients. That goes exactly along with what we were set up for which is transparency.

We could have launched our crypto products two years ago, but we wanted to make sure that they could be offered in the right way and that it was sensible for people to trade. We have

the same ethos and the same philosophy as the regulators who in turn should have the same ethos and the philosophy for what is best for retail clients. When the three of them are in line you have what is good for the end client, good for the regulator and good for business all aligned in the same place.

Where is the growth coming from for Spectrum?

Nicky Maan: There are certain fundamentals that we still need to fill out. We would like to onboard ETFs and single stock equities into the platform. We are an innovative platform and there is always going to be room for structured products that are customised. For that to work you need to have an infrastructure that can create the product very quickly, that can sustain it while it is needed, but also remove it when it is not no longer required.

Going forward, in terms of growth, I think indices will be a large part of the platform because that is what people invest in. People feel comfortable in that underlying but there will always be room for custom products or innovative new niche products.

Regarding the digital assets space. If you look where crypto's are now, it is just a blip. I don't think digital assets will go anywhere, but I think it will mature as an asset class. We expect the days of huge volatility up and down to calm down.

What are your plans for 2023?

Nicky Maan: In the beginning of 2023 we are expecting, all being well, another product manufacturer which is seeking to do some products in some European markets.

This is our main focus, and we are testing for that. We are expecting some more news on the distribution side as well in the first half of 2023. That is where our focus remains in the medium term.

UK market plans

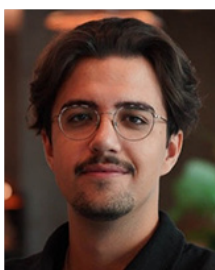
Nicky Maan: For us there are no immediate plans in the UK market. The retail trading community in this market works in my opinion slightly different compared to continental Europe. In continental Europe, people almost have a cultural preference to trade on venue and have the transparency whereas in the UK there is less appetite to trade on listing venues. In the UK there is more OTC trading - investors are comfortable with that and there are some tax reasons and other reasons that go in play.

However, I think as our product set starts to expand, and we start to talk about investment products and more complicated structured products, there may be room for that in the UK market. For the immediate future, the focus remains on Europe purely because of the size of it and the cultural fit.

Crypto News

All the latest developments in digital assets from across the globe

Cosmos-based DeFi protocol to offer structured products



Quasar Finance, a decentralized asset management protocol using the Inter Blockchain Communication (IBC) technology released by the Cosmos blockchain, has raised US\$5.4 million in a funding round led by Shima Capital at a US\$70 million valuation. The protocol allows users to create and join vaults, or independent asset containers capable of connecting tokens and data transfers

between chains. Other investors in the round included Polychain Capital, Blockchain Capital, HASH Capital, CIB and Osmosis co-founder Sunny Aggarwal, among others.

The capital will go toward product development and scaling out the team. The company plans to offer structured investment products for DeFi, starting with an automatically rebalancing index of the Cosmos ecosystem that supports the staking of assets. After months of private testing, Quasar will open its public testnet on 10 February.

‘Securing this funding given ongoing and difficult market conditions is a massive show of confidence and a significant reaffirmation of our partners commitment to the common goal – making non-custodial and permissionless asset management available to all,’ said Quasar co-founder and CEO Valentin Pletnev (pictured).

CyberX closes US\$15m Series A+ funding round

Singapore-based market maker for digital assets CyberX has raised US\$15m in Series A+ funding round led by Foresight Ventures.

The company intends to use the funds to expand its team in Asia and North America, integrate more exchanges and DeFi protocols into its liquidity network, and strengthen its trading infrastructure to further improve liquidity and pricing for its partners and clients.

Led by CEO Hao Wang, CyberX is a trading technology firm in digital asset trading, infrastructure building, and market making.

The company currently offers a suite of liquidity solutions including algorithmic market making in spot and derivatives markets across perpetuals, futures options, structured products, OTC services and DeFi protocols.

CyberX has built an extensive crypto liquidity network with a US\$400 million daily trading volume and network spanning more than 30 venues and 5,000 tokens with 10,000 trading pairs.

Coinbase and GenTwo Digital announce partnership for custody and execution



GenTwo Digital, the Zug-based subsidiary of GenTwo, has partnered with publicly-listed cryptocurrency platform Coinbase, to expand the investment universe on digital assets available for professional investors.

Under the partnership Coinbase crypto assets to be wrapped in bankable financial investment products to enable financial

intermediaries to issue passive and actively management certificates (AMCs) - any financial intermediary can create white labelled investment products in collaboration with GenTwo Digital and execute via Coinbase's platform.

Coinbase Prime is a fully integrated platform built specifically for institutions to support the entire transaction lifecycle including advanced multi-venue agency trade execution for 200 assets, custody for more than 360 assets, financing, staking and staking infrastructure, data and analytics, and reporting.

Institutions can access Coinbase Prime directly via a user interface or as an integrated platform via APIs to offer crypto related products such as ETPs and ETFs, custodial solutions, or brokerage for their institutional, private wealth, and retail clients.

‘These instruments will benefit from execution services through Coinbase multi-venue execution platform, and assets will be held 1:1 in segregated cold-wallets for optimum security,’ said Guillaume Chatain (pictured), head of EMEA institutional sales at Coinbase.

Coinbase Institutional powers several institutions including involved in the digital assets market including BlackRock, Google,

Wisdom Tree, 21 Shares, Grayscale, PIMCO, Brevan Howard Digital, Invesco, GSA Capital, Lakestar, and Millennium Global.

xToken launches origination platform



Decentralized finance (DeFi) protocol xToken has launched Origination, an on-chain financing platform targeted DeFi and NFT projects to configure and deploy a variety of capital markets use cases, including customised token offerings and crowdsourcing programs.

With no technical expertise required, users can leverage the new platform for additional financing use cases, including Olympus Pro-style bonding and one-to-many OTC markets. Origination is supported on the Ethereum, Arbitrum, Polygon, and Optimism networks.

The new platform went live on Tuesday 10 January with launch partner Galleon DAO's \$DBL bonding program, a provider of best-in-class decentralized, on-chain structured investing products.

'With Origination, projects can tackle complex financial primitives with confidence,' said xToken founder Michael J. Cohen (pictured).

The new Origination platform is also adding new capital markets capabilities to xToken's existing suite of investment banking applications via Terminal, a functionality designed to provide access to fundamental on-chain primitives that all DeFi and NFT projects will need during their lifecycle.

Matrixport enhances compliance standards

Digital assets platform Matrixport has started using Chainalysis' blockchain data platform as part of its efforts to enhance compliance capabilities, support anti-fraud protocols and monitor risk.

The move is part of the firm's commitment to building trust and transparency across its digital assets financial services, including Cactus Custody, spot OTC, fixed income, structured products, asset management and digital prime brokerage.

Christopher Liu, chief compliance officer at Matrixport, said compliance was a cornerstone of the firm's institutional risk management framework.

'By harnessing Chainalysis' blockchain intelligence and real-time transaction monitoring capabilities, we are enabled with best-in-class controls to protect and provide our clients with secure,

transparent and efficient digital asset services,' he said.

Chainalysis' compliance suite, including its 'know your transaction' (KYT) solution and anti-money laundering tools, offers continuous, real-time transaction monitoring for all cryptocurrency assets to detect patterns of high-risk activity and deeper due diligence into suspicious activities.

DeFi protocol raises US\$5.6m to support structured crypto products

The first strategy on Pods Yield is stETHv (Ethereum Volatility Vault), a low-risk product focused on Ether accumulation which combines Lido's yield with weekly strangles to earn more every time the Ether price bounces up or down.

Currently, Pods platform users can deposit Ether and stETH into the vault stETHv (short for stETH Volatility Vault) and be exposed to a low-risk, complex-to-execute strategy in one click.

'We have talked to hundreds of stakeholders to understand their needs and improve our platform according to their feedback. Recently Pods did four security audits on its Pods Yield product, two of them with OpenZeppelin in November and December 2022,' said Rafaella Baraldo, founder & CEO of Pods.

'We are not only generating results but have developed a range of products dedicated to assisting DeFi protocols to diversify their treasury into low-risk strategies, making their treasury strategy more resilient.'

CME enters the Metaverse



CME Group has launched three new Metaverse reference rates and real-time indices, which will be calculated and published daily by CF Benchmarks, beginning 30 January.

The new Metaverse reference rates and real-time indices include Axie Infinity (AXS); Chiliz (CHZ); and Decentraland (MANA). Each of these new reference

rates will provide the US dollar price of each digital asset, published once-a-day at 4 pm London time, while each respective real-time index will be published once per second, 24 hours a day, 365 days per year.

The new Metaverse benchmarks will use pricing data from crypto exchanges and trading platforms that are current constituent exchanges for the CME CF Benchmark suite of reference rates and real-time indices.

Each of the new Axie Infinity, Chiliz, and Decentraland benchmarks will be calculated with pricing data from a minimum of two of these exchanges – Bitstamp, Coinbase, Gemini, itBit, Kraken, and LMAX Digital.

CF Benchmarks is a provider of cryptocurrency benchmark indices authorised and regulated by the UK Financial Conduct Authority (FCA) under the EU Benchmark Regulation (BMR). Its benchmark indices are composed of market data from six constituent exchanges and have been used to settle over US\$500bn of cryptocurrency derivative contracts listed for trading by CME Group and Kraken Futures.

These reference rates and indices are not tradable futures products.

‘With increased price transparency across more cryptocurrency products, market participants will be able to price sector-specific portfolios, develop structured products with greater confidence and manage price risk around various Metaverse-based projects,’ Giovanni Vicioso (pictured), CME group global head of cryptocurrency products.

New Venture offers ethereum staking yields with limited downside



Ether staking specialist MetaWealth Technologies and PowerTrade, a liquidity provider for digital asset-based derivatives have launched a novel investment product designed to offer institutional crypto investors a customised mechanism to gain exposure to cash-settled future trades and staking options blended for individual portfolios.

The structured product aims to deliver market-neutral like returns via hedging against staked ether – the structure uses liquid ether staking as collateral for put options, which are bundled together on a four-month rolling basis.

The aim is to earn passive, yield-bearing income from the staking, while hedging the exposures with options designed to provide downside protection. The bundling is intended to shop around in bulk from various market makers in an effort to lock in better pricing.

The product is designed to act as a buffer against drawdowns as extreme as 90%, via a combination of interest rate swaps and derivatives, according to MetaWealth CEO Florian Drummen (pictured).

The product is targeted at digital asset-focused hedge fund firms and fund of fund operators seeking to protect their investments another worst-case scenario. A series of pilot test-

runs are now underway, with the aim being to ink deals with about 10 funds by the end of the first quarter of 2023.

Israel proposes to classify ‘digital assets’ as securities

The Israeli Securities Authority (ISA) has proposed a series of legislative changes on digital assets in a public consultation that will end on 12 February.

‘Where a digital asset is a financial investment, it will be treated as a security. The aim is to provide greater clarity about which digital assets are regulated by the ISA, and to prevent areas where investments are unregulated because of definitional issues,’ stated the regulator.

Regulatory efforts have accelerated as a result of cryptocurrency collapses such as FTX and Israeli-linked Celsius. The new guidelines are part of a roadmap for digital assets regulation published by the Ministry of Finance in November 2022.

Y2B introduces protocol to allow users hedge, leverage and speculate

Singapore-based Y2B Finance, which offers a suite of structured products designed for exotic peg derivatives, aims to enable investors to hedge or speculate on the risk of a particular pegged asset (or basket of pegged assets), deviating from their fair implied market value.

The Singapore crypto firm has rolled out a protocol offering three main products: typhoon, volcano and wildlife.

The typhoon structure leverages a variant of the ERC-1155 standard for the creation of fully-collateralised insurance vaults; volcano is a collateralized debt obligation (CDO) powered lending market for pegged assets with maximal extractable value (MEV)-proof liquidations; and wildlife is an on-chain request for quotes (RFQ) orderbook where users can trade Y2B risk tokens amongst themselves, both unlocking liquidity and allowing for repricing of semi-fungible tokens.

Amber secures US\$300m series C investment

Amber Group, a Singapore-based digital assets firm and an active issuer of structured products, has completed a US\$300m series-C round, led by Fenbushi Capital US and other crypto-native investors and family offices.

'Prior to the collapse of FTX, Amber was in the process of completing an extension to our Series B+ at a US\$3 billion valuation in preparation for a potentially prolonged crypto winter. Post the FTX collapse, we paused after a partial closing and instead moved forward on Series C,' stated the firm.

Less than 10% of Amber's total trading capital was with FTX at the time of its collapse which forced the firm to rebalance some positions.

US agencies warns of crypto-asset risks to banking organisations

Federal bank regulatory agencies issued a statement on 3 January highlighting key risks for banking organisations associated with crypto-assets and the crypto-asset sector.

In particular, the statement describes several key risks associated with crypto-assets and the crypto-asset sector, as demonstrated by the significant volatility and vulnerabilities in the crypto market over the past year.

'Given these risks, the agencies continue to take a careful and cautious approach related to current and proposed crypto-asset-related activities and exposures at banking organizations,' stated the announcement.

Crypto winter has not frozen HNW demand

Demand from investors for digital assets has significantly increased despite the current crypto winter, according to a US financial advisor (FA) survey from Coalition Greenwich.

Conducted in partnership with digital asset trading technology providers Talos, the survey reported that 92% of mass affluent and high-net-worth (HNW) investors are asking for access to digital assets for inclusion in their portfolios. Among the 537 FAs surveyed, 30% responded that they already have or plan to recommend specific digital asset investment products within the next three months.

The results are particularly interesting as they were taken during the third quarter of 2022, following the collapse of TerraUSD, Luna and Three Arrows Capital, an event that shook the digital assets world, and preceded the fall of FTX.

Overall, demand continues to grow with over half the advisors surveyed suggesting that client interest is increasing or staying the same as a year ago, with 35% saying interest has increased significantly over last year.

With digital assets pushing deeper into the 2022 bear market, the Coalition Greenwich report set out to identify how these recent market events impacted investor demand. Additionally, the survey looked at how advisors are responding, making recommendations, creating investment strategies and handling compliance and regulations related to digital assets.

"Financial Advisors believe that the growth trend for digital asset adoption as an emerging asset class will persist and continue to increase, even in the face of the current bear market and recent market events," said the report's author David Easthope, senior analyst of market structure and technology at Coalition Greenwich. "FAs are working to be ready to meet this demand through their integration of investment products and platforms.

Indosuez launches digital platform

Indosuez Wealth Management has rolled out a new digital service for its clients who have concluded an advisory agreement. Clients will have access via their e-banking app to a platform offering a range of financial instruments, pooling convictions and recommendations from the firm's experts.

The launch 'provides a response to clients' new expectations in terms of digital technology and independence,' stated the private bank.

The new platform will include market data and product sheets, including ESG ratings enabling investors to create their own list of products.

'Clients holding structured products will be able to benefit from an innovative feature to keep them up to date with the events calendar associated with structured products (payment of coupons, date reminders, etc.);' said the firm in a statement.

Originally reserved for bank advisers, the new online service was developed by the Indosuez Innovation Lab with around 20 clients helping to develop the tool.

Bank Syz open one-stop crypto shop

Geneva-based Bank Syz will now offer cryptocurrency custody and trading services to its Swiss and international client base.

The new service covers the safekeeping and trading of four major cryptocurrencies including bitcoin (BTC), ether (ETH), polygon (MATIC) and chainlink (LINK).

Bank Syz has selected Taurus, a European digital asset infrastructure provider for banks – and its custody solution Taurus-Protect – to secure its clients' cryptocurrency investments.

The Swiss bank has also created a team of experts to ensure its clients' digital assets are handled with the same level of care and professionalism as traditional assets.

'We now offer our clients the convenience of accessing the digital asset world through a regulated custodian with strong investor protection and supervision.

Syz Crypto also enables our clients to get a holistic view of their traditional and digital assets in their bank reporting,' said Charles-Henry Monchau, Bank Syz CIO.

Valérie Noël, head of trading at Bank Syz, said the new service offers 'a consolidated one-stop shop access to a broad range of financial instruments to clients'.

The bank recently appointed Richard Byworth as managing partner of Syz Capital, the Group's alternative investments arm, to expand its operations as a digital assets service provider in private banking.

CME reports 82% increase crypto ADV in 2022

The Chicago Mercantile Exchange (CME) has reported that the average daily volume (ADV) of cryptocurrency futures and options in 2022 rose 82% year-on-year, said CEM on 4 January without disclosing the number of contracts.

The Micro Ether futures ADV reached a record high of 19,582 contracts, the bourse noted. In Q2 and Q3 of 2022, the ADV of cryptocurrency futures and options came to 57.4K and 56.2K contracts on CME, respectively.

Exchange-wide, CME reported record ADV of 23.3 million contracts traded in 2022, an increase of 19%. Equity index ADV grew 39% for the year and 26% in Q4. Interest rate ADV up 18% annually, driven by record SOFR volume and open interest. In addition, the ADV in Q4 reached the highest ever.

OrBit Markets launches staking yield swaps...

OrBit Markets has launched a new product allowing stakers to swap their variable staking rewards into a guaranteed fixed rate.

The product was first designed in response to a request from Ribbon Finance, which has been pioneering innovation in decentralised structured products.

As the Ethereum blockchain transitions from proof-of-work to proof-of-stake, staking has become increasingly popular as a simple way to earn passive yields on digital assets, but those yields vary continuously depending on the network usage and other factors, making it difficult for users to predict returns. While interest rate swaps are widely used in traditional finance, equivalent products have yet to become commonplace in digital assets, according to Julian Koh, founder and CEO at Ribbon Finance.

'With its ability to offer staking yield swaps, OrBit has delivered for us a critical building block for our new R-Earn stETH strategy,' said Koh.

OrBit said it is leveraging its expertise in derivatives to offers a new customised solution to enable stakers to convert these variable rewards into a fixed rate 'if they prefer to have certainty over the yield'.

OrBit has already executed several transactions linked to the Ethereum staking yield earned in Lido, the most-used liquid staking protocol, and is further expanding its capabilities to other chains and protocols.

... and partners with trading infrastructure provider

The institutional liquidity provider in digital asset options and structured products has also announced a strategic partnership with Flowdesk, a provider of trading infrastructure for market-making and other crypto financial services.

The partnership will enable token issuers to access an integrated suite of services, from liquidity management and custody to hedging and yield enhancement strategies.

The combination of Flowdesk's expertise in liquidity management and OrBit's experience in structuring and financial engineering, will provide token issuers with access to 'the best of both worlds,' said Caroline Mauron, co-founder and CEO of OrBit Markets.

Flowdesk CEO Guilhem Chaumont noted that after a rapid growth over the past two years, token issuers now face many challenges such as lack of diversification, vulnerability to market downturns, and low productivity on the native tokens.

'[We] seek to address these issues by offering a broad range of innovative derivatives solutions,' he said.

StructrPro analysis: best performing underlyings in the US market

We look at the high performers drawn from popular underlying assets in the US equity structured products market. *By Suzi Hampson.*

While product payoff is important, for all structured products the performance of the underlying stock or index is a key driver of product returns.

The choice of underlying when structuring a product depends on a number of factors. Benchmark indices and ETFs are popular as a way to gain exposure to the broad market or sector they represent. These are always popular with investors looking to use structured products within their equity-linked portfolio.

Alongside major indices, the top stocks in the S&P 500 continue to be popular and are regularly chosen as structured product underlyings. Investors are comfortable with these names and seek exposure through these stocks as a key part of a US equity holding.

Some companies or ETFs are more cyclical in nature, and therefore come in and out of favour. Certain stocks can represent a trend or a theme or be particularly attractive due to other economic factors. In addition to

fundamentals some underlyings may be chosen for their pricing properties and therefore their ability to generate attractive returns for a given payoff structure. High volatility stocks are a good example of this.

The performance statistics shown here were taken from the US structured product analysis service Structrpro.com.

Structrpro can be used to analyse live and matured products from the SRP database using analytics powered by FVC. For this study we have restricted results to underlyings linked to at least 100 structured products on the service. The five highest performing underlyings on Structrpro over the past year include three oil and gas companies and two energy sector ETF. This is reflective of the huge gains seen globally in the energy sector.

Exxon Mobil Corporation has had the highest growth of any qualifying underlying over the past 12 months of 77.19%. Its performance over the past two years to date is an extremely strong 212.3%. The structured product

performance statistics also show high returns for both live and matured products linked to this underlying of 32.19% and 15.54% respectively. While these product returns are good, they are significantly lower than the performance of the asset itself.

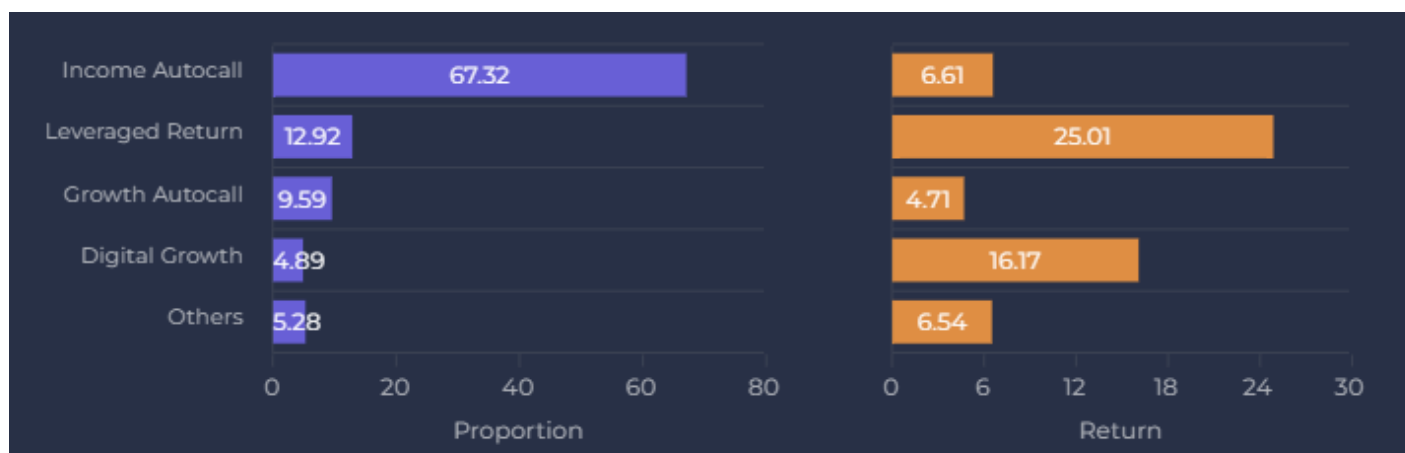
The vast majority (93.18%) of products linked to Exxon Mobil Corporation are income autocall structures which pay a defined return over the product life. When the underlying performance is good, the products will call and mature early, paying the fixed return. Therefore, if underlying performs exceptionally well the product will not match the returns that could have been achieved through direct investment in the underlying and will be limited to the levels defined in the product terms. This is the nature of most structured products where some potential return is exchanged for a reduction in risk and in the case of autocalls a greater chance of a fixed moderate return.

The most commonly used underlying of the top five performers is the Energy Select Sector SPDR Fund. Fig 1 shows

Table 1: Top performing structured product underlyings over past 12 months (Structrpro.com). The table also shows the average annualised performance of both live and matured structured products linked to each underlying.

Underlying asset	Performance - 6 months	Performance - 12 months	Performance - 24 months	Historic volatility (1 year)	Product count	Live products performance return p.a.	Matured products performance return p.a.
Exxon Mobil Corporation	31.29%	77.19%	212.36%	35.36%	132	32.19%	15.54%
Chevron Corporation	14.28%	63.33%	126.12%	32.67%	104	18.18%	21.87%
Energy Select Sector SPDR Fund	19.74%	61.43%	175.70%	35.39%	511	14.4%	13.94%
SPDR S&P Oil & Gas Exploration & Production ETF	23.87%	47.82%	229.62%	45.6%	439	8.64%	11.65%
Petróleo Brasileiro S.A. – Petrobras	-17.90%	13.56%	31.66%	49.65%	108	-0.74%	20.46%

Source: Structrpro

Fig 1: Returns and breakdown by product type for US structured products linked to Energy Select Sector SPDR Fund

Source: Structpro

a breakdown of products linked to this underlying. This shows that the income autocall product is again the most popular type although the leveraged return is by far the best performing in terms of returns. This is to be expected since in a bull or growth scenario investors will gain from payoffs that have higher exposure to the underlying rather than defined return or income products.

The fifth highest performing stock over the past year was Petróleo Brasileiro S.A. (Petrobras). This was also the most volatile stock over the past 12 months. The performance of this underlying was high

(31.66%) over the last 12 months, but the underlying has fallen by 17.9% over the past six months. This is quite a different picture from the other four underlyings in the table and has had a big effect on the structured product returns.

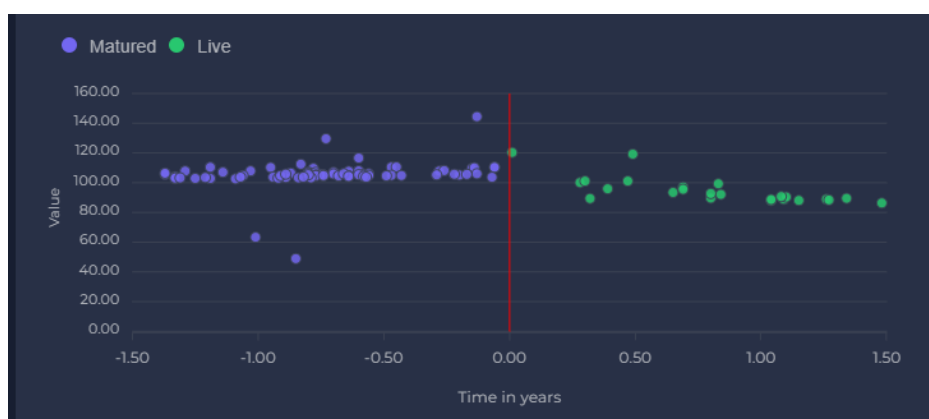
The payoff scatter chart in Fig 1 shows the expected value of matured and upcoming product maturities. The matured products have paid par plus an income stream in most cases, these are shown on the chart in purple. The live products have a lower expected return than those that have matured due to recent falls in the underlying stock price. The average level

required for the relevant products to call is 120% of the current stock price meaning a significant rise is needed for the products to mature early.

Due to the high volatility of the asset the average barrier level for these products was quite generous compared with US products in general. Across all products linked to this underlying, barrier was set at 57% of the initial level on average. It is now currently at 68% of the current stock value. This means that for most products, the stock is still above the barrier level has moved closer to it. Provided there are no further large falls in this underlying, the majority of these products will return their capital investment and pay the remaining income stream. Given the losses in the underlying over the past six months that would no doubt feel like a good outcome for investors.

The relationship between underlying performance and structured product performance can be complex especially when viewed in aggregate.

Underlying performance is easily measured point to point, but structured product performance depends on dates, maturity and product characteristics. The defined and risk reducing nature of structured products means that in most cases they will not match outstanding underlying returns, but they have plenty of compensating features.

Fig 2: Payoff Scatter for products linked to Petróleo Brasileiro S.A. – Petrobras

Source: Structpro

Analysis: MAANG performance highlights inherent risk of single stock-based investing

We look at the performance of products linked to the US big tech stocks which have faced headwinds in 2022 after helping drive the US stock markets and the economy in 2021. *By Tim Mortimer.*



press interest. While three of the MAANG stocks are in the top five of the index by capitalisation, Meta is at number 22 and Netflix down at 50th. However because of distributor and investor activity they do feature prominently in the US structured products market according to data from StructrPro.com, drawn from the database maintained by www.structuredretailproducts.com.

Of stock-based products from this universe, Apple is by far the most popular and the five MAANG stocks are all in the top eight by number of products issued. They are only broken up by Tesla (second most popular linked stock overall), Nvidia and Microsoft.

The MAANG companies all had strong growth in the last few years and benefitted from the sudden changes in the world economy during the pandemic as online based businesses thrived. However, in the last twelve months much of these gains have been reversed with MAANG stocks all down 50% or more, compared to the S&P 500 as a whole falling by only 20%. The decline of this group has been due to a combination of factors. The higher volatility of the stocks means they will fall faster in a downturn. The market also has concerns about continued growth as their subscriber base becomes more mature and with economies moving into a recession.

A total of nearly 2,000 products linked to one of the five MAANG stocks have been analysed on StructrPro. Apple and Amazon are by far the most dominant choices with 52% and 26% coverage respectively. The overwhelmingly most popular choice of product type for MAANG stocks is the Income Autocall which makes up 88% of this product set. This is followed by Leveraged return at 5% and Digitals at 2%.

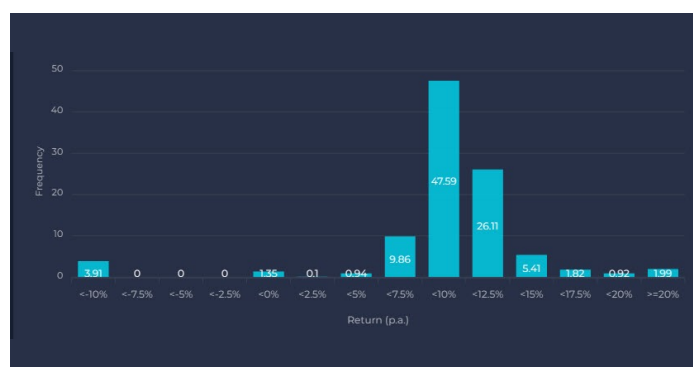
Although Income Autocalls are also the most popular type for the entire US Structured Product market they only account for 34% of all products on the database. Investors tend to look for yield enhancing products linked to single stocks which take advantage of the pricing due to higher volatility to offer a higher coupon. Stock linked products are also generally more tactical and shorter dated whereas the full database includes a significant volume of "investment" products linked to major indices such as the S&P 500 and Russell 2000.

1,100 of the MAANG linked products have already matured with

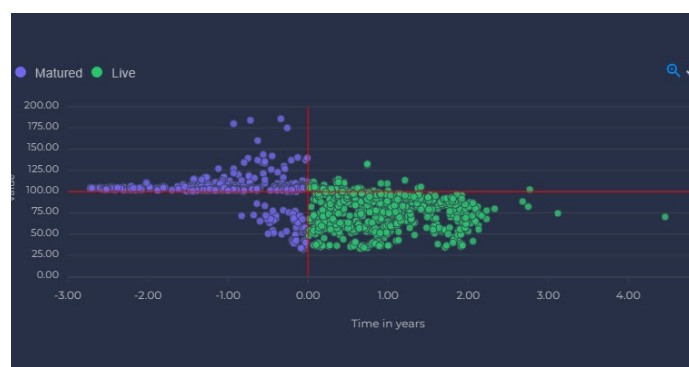
Financial commentators love themes, they love labels and they love acronyms. One of most prevalent examples in the investment world in recent years is the fixation with the group of stocks originally known as "FANG" (Facebook-Amazon-Netflix-Google) coined in 2013, expanded to "FAANG" to include Apple in 2017 and then somewhat clumsily renamed to "MAANG" when Facebook became Meta.

All these companies are household name US Technology stocks. While not identical in business models they can be broadly categorised as consumer or network subscription based with strong social media themes. They are still classed as growth stocks and as such they are distinct to the likes of Microsoft, Cisco and Intel which had a similar mantle in the earlier tech boom era of 1990s. This gave rise to the dot-com bubble of the late 1990s which sucked in money to internet-based businesses few of whom proved viable, one shining exception being Amazon.

These five companies are not such universally dominant constituents in the S&P 500 as might be thought from their

Fig 1: Annualised total returns for all matured products

Source: Structpro

Fig 2: Payoff Scatter

Source: Structpro

an average return of 7%. The vast majority have made a positive return, but the average has been dragged down by a small number of products that have breached their barrier and lost a substantial amount.

The comparison between live and matured products linked to MAANG stocks shows a very contrasting situation. This is illustrated in the chart below.

This may seem surprising but when we understand the price evolution of the five stocks over the last few years and the typical timescale of products it makes sense.

The average maturity of these structured products is less than two years and therefore products that have already matured took advantage of the strong underlying performance in 2019 and 2020 sometimes with an early maturity ensuring a positive return.

Products issued in the last year have fallen significantly on a secondary market basis because of the stocks decline. This cyclical behaviour is to be expected with more aggressive products such as these but will lead to some difficult conversations between advisers and investors. It is also important to remember that many of the live products are still above their barrier levels giving significant chances for recovery.

The best performing matured product overall is a leveraged return linked to Amazon (SRP ID 16358607, CUSIP 90279Y704). It offered 125% of upside growth to a maximum return of 185%. In the end the stock performed much stronger than this level, but the product still posted excellent returns with the benefit of downside protection.

The worst overall matured product was one linked to Meta (SRP ID 32714898, CUSIP 90285B847). It ended in November 2021 over a one-year term that saw the stock decline by 70%. The product did not manage to pay any income and went through the barrier protection that allowed for a 25% decline in the underlying.

In addition to the sample linked to a single underlying drawn from the MAANG group a further 1,250 products on StructrPro are linked to more than one underlying containing at least one of the MAANG stocks. Apple and Amazon are also the most popular choices in this group but the proportion of the remaining three stocks is much higher in this group suggesting that investors don't really want exposure to the other three (Meta, Google and Netflix) alone. Some other stocks have also found their way into these multi-asset products, the two most common additions being Microsoft and Tesla.

The best performing live product from this group has shown spectacular growth with a current secondary market valuation of 248% and four months of the three-year term remaining. This product has 260% upside linked to the worst performing out of Apple and Starbucks (SRP ID 25862562, CUSIP 17328VEK2).

These two stocks are in different sectors but both with a strong retail presence and have shown very strong recent growth. Apple is at 222% of its start level and Starbucks somewhat further back at a still positive 157%. Because of the very high leveraged nature of the product its current secondary valuation exceeds that of the Apple stock's performance and with barrier protection of 85% thrown in. There can be few investments that have outperformed Apple over this period.

In conclusion, we see that the MAANG stocks have captured the imagination of the structured product industry. When used by the right investors at a sensible portfolio allocation rate they can offer good yield or growth in many market scenarios. However, it should always be remembered that single stock-based investing is inherently riskier, and this approach does not offer the defensive properties of index linked products. Market timing, understanding of risk and proper portfolio management will always be the key guiding principles to success.

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

Spotlight on... autocalls in France

The bear rally in recent weeks made a ripple of early redemptions among structured products. Consequently, many underlyings' current levels rose above the autocall barrier as the Eurostoxx 50 increased by 20% compared to this year's low – which was set at 29 September when the index closed at 3,279 basis points – with hopes of slowing interest rates hikes.

The chart is based on a sample of 1,800 live index-linked autocall products, which represent 55% of all outstanding equity index-linked structured products on the SRP France database. It looks forward to their future autocall observations throughout 2023.

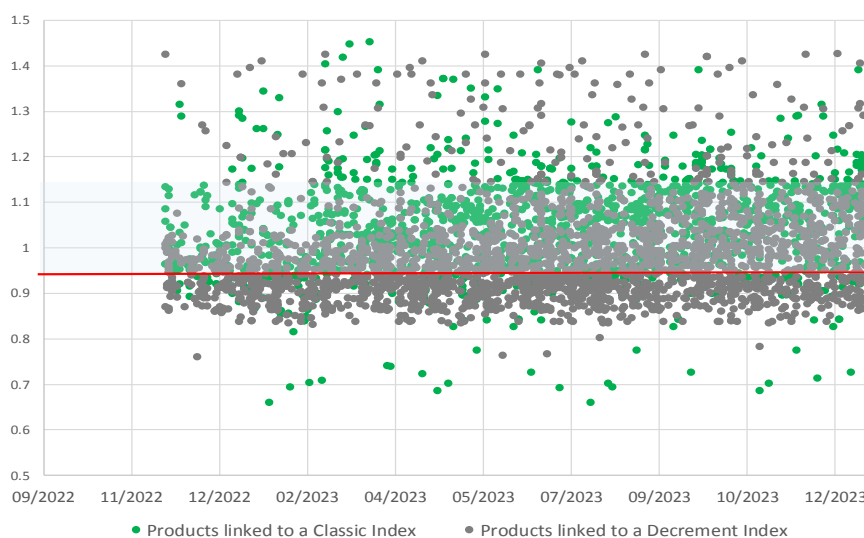
Products are represented by the dots in terms of their autocall observation date(s) and based on the product's distance from their autocall barrier (as of 23 November 2022). Each product is featured in the chart as often as it has observations over the year, for example a product with monthly observation is shown 12 times – once each month.

Products above the line would be redeemed early on the respective date, as long as markets stayed or rose above their current level.

Green dots represent products linked to benchmarks (Eurostoxx 50) and sector benchmarks (Eurostoxx Banks). Grey dots represent products linked to the most used synthetic dividend indexes such as the SBF Top 50 ESG EW Decrement 50 Points and S&P Euro 50 Equal Weight 50 Point Decrement Index. Products linked to single-stock indexes and decrement funds are not included in the chart.

Nearly 70% of the autocalls linked to a classic index currently sit above the autocall

France autocalls: Future observations (2023) and current underlying levels as of 23 November 2022



Source: [StructuredRetailProducts.com](https://www.structuredretailproducts.com)

barrier (the average distance for the subgroup is 5% above the autocall barrier).

Around 35% of the autocalls linked to a decrement index sit above the autocall barrier (the average distance for the subgroup is 1.2% below the autocall barrier). The median distance from the barrier is +3.8% and -4%, for the benchmark and the decrement-linked, respectively. Some 12% of the products feature a step-down

autocall barrier which will move them closer to the barrier with each observation date (as is visible from the chart).

Half of the products in the sample have quarterly, monthly, or daily autocall observations.

The average age of the products in the sample is 1.5-year; 30% of the products have been live for two years or more.

Almost 70% of all autocalls linked to a benchmark index currently sit above their knockout barrier

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

Some MXN72.4 billion was collected from 1,389 structured products in the third quarter of 2022 – a 21% drop in sales volume compared to the prior year quarter (Q3 2021: MXN91.8 billion from 1,741 products).

//

Average volumes, at MXN52.1m per product, were also lower than those in Q3 2021 when products sold on average MXN52.8m.

Four issuer groups were active during the semester (Q3 2021: five).

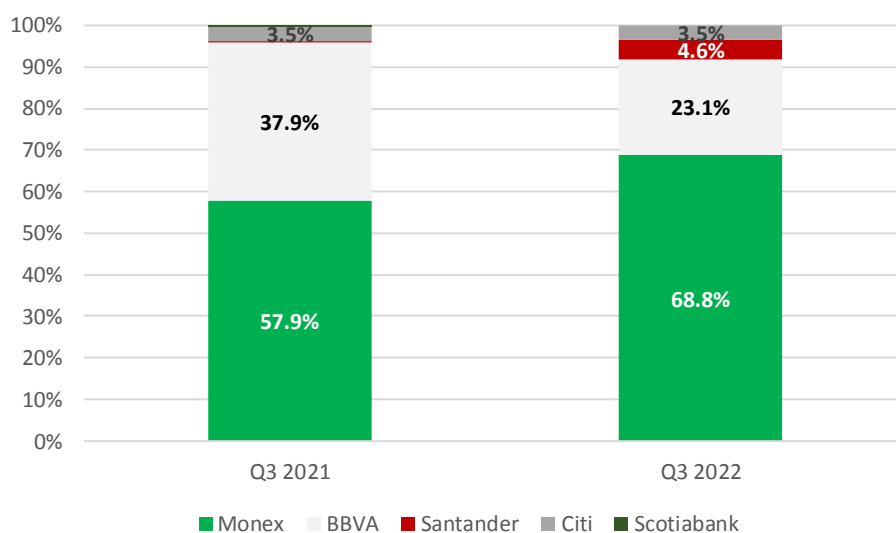
Monex was once again the dominating force, capturing 68.8% of the market – an increase of 10.9% year-on-year (YoY). The Mexican financial group collected MXN49.8 billion from 949 products that were exclusively linked to the appreciation of the US dollar relative to the Mexican peso and featured predominately range, digital and dual currency payoffs.

BBVA Mexico, in second, saw its market share decrease to 23.1%, down almost 15% YoY. It gathered sales of MXN16.7 billion from 333 issued products.

Unlike the prior year quarter, when the bank launched products on a variety of underlyings, including ETFs, single indices and stocks, issuance this time around was limited to the USD/MXN currency pair, which it used in 303 products, and the interbank equilibrium interest rate (TIIE 28).

Santander claimed 4.6% of the market – up 4.2% from Q3 2021. It achieved

Mexico: top issuer groups by market share



Source: StructuredRetailProducts.com

sales of MXN3.4 billion from 43 products that were either dual currency notes or range/accruals. The USD/MXN was the sole underlying used by the bank, which was also responsible for the best-selling product of the quarter: a 10.5% pa dual currency note that sold MXN1.2 billion.

Banamex held 3.5% of the market, level

on the same quarter last year. The 100% subsidiary of Citi sold 64 products worth MXN2.5 billion with the bulk of the issuance again tied to the USD/MXN (60 products). The four remaining products were linked to TIIE 28.

Scotiabank, which had a 1.3% market share in Q3 2021, was not active this quarter.

Monex captured more than two thirds of the Mexican market in a quarter which saw underlyings limited to FX and interest rates

Product wrap: SG tracks new Euronext climate index in France

In this wrap, we look at a selection of structured products with strike dates between 14 November 2022 and 15 January 2023.

EUROPE

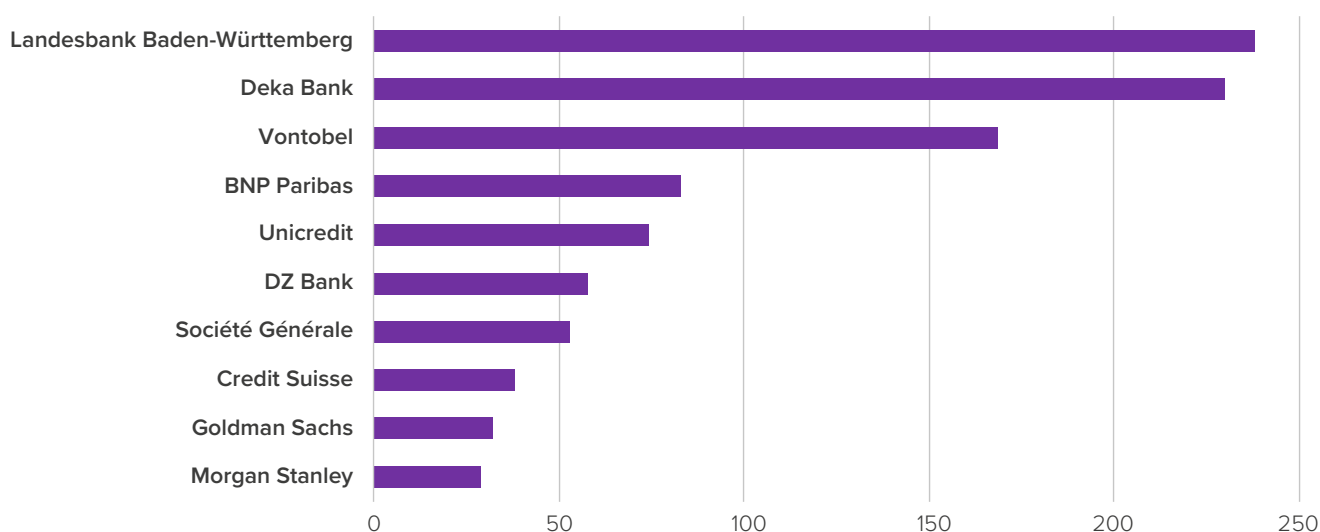
MMA Vie marketed MMA Itinéraires Septembre 2022 via a four-month campaign in France. The eight-year life insurance offers access to the Euronext World Sustainability and Climate Screened Decrement 50 Point Index, which comprises 35 companies from the Eurozone, 35 companies from North America and 30 Japanese companies. The index was launched on 26 June 2022 and its constituents are rated according to the ESG rating of ISS-ESG, the responsible investment arm of Institutional Shareholder Services Inc. If, on at least one of the quarterly observation dates during year five, six or seven, the index closes at or above 50% of its starting level, the product redeems early. In that case, the investor receives 100% capital return, plus a coupon of 25%, 30% or 35%, respectively. At maturity, if on any of the quarterly observation dates during year eight the index closes at or above 50%, the capital return is 140%. However, if the index is lower than 50% on each of the final four quarterly observation dates, the investor participates 1:1 in the index performance. The product is issued via SG

Issuer with Société Générale acting as the guarantor. It is listed in Luxembourg. Priips Summary Risk Indicator (SRI): five out of seven.

Belfius collected €22m with Memory Health Care 12/2025 in Belgium. The three-year medium-term note (MTN) is 100% capital-protected and offers access to the Stoxx Europe 600 Health Care Index, which comprises the 57 largest companies by market capitalisation from the biotechnology, pharmaceutical and medical equipment sectors. Its composition is reviewed quarterly. If, on the annual observation date, the index closes at or above its initial level, the product pays a memory coupon of 2.75%. Otherwise, no coupon is paid for that year. Total costs are maximum 3.12% and include a one-off structuring fee of 1.32% (included in the issue price). Priips SRI: two out of seven.

Unicredit issued the HVB Fondsanleihe as a public offer in Austria, Germany and Luxembourg. The product is linked to the KBI Global Energy Transition Fund (G EUR), which is actively managed by Amundi and invests in companies operating in alternative energy sectors, such as solar, wind, biomass, and

Europe: top 10 issuer group by issuance - 14 Nov 2022 to 15 Jan 2023*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

geothermal, that are closely aligned to the UN Sustainability Development Goals. As of 6 December 2022, the fund's assets under management totalled €880m.

The one-year reverse convertible offers a fixed coupon of 9.1% pa. If the final price of the fund is at or above the strike price, the product returns 100% of the nominal invested. Otherwise, the return is equal to the fund performance. A one-off entrance fee of 1.67% applies. The product is listed in Stuttgart. Priips SRI: four out of seven.

In the UK, **Causeway Securities** collaborated with Barclays for the launch of the December version of its Kick Out Deposit Plan. The six-year Athena autocall is subject to annual early redemption from the end of the third year onwards if the underlying S&P 500 Index closes at or above its initial level. In that case, it offers 100% capital return, plus a coupon of 7.3% pa paid gross. The plan is available, among other, as a direct investment and for pensions, companies, trusts, charities and offshore bonds. The minimum investment is £10,000. James Brearley & Sons is the plan administrator and custodian. Priips SRI: three out of seven.

Sparkasse Minden-Lübbecke distributed Express-Aktienanleihe Pro 12/2025 on the MSCI Germany Climate Change ESG Select 4% Decrement Index in Germany. The three-year investment certificate is issued on the paper of Deka Bank. It offers a fixed coupon of 4.10% pa, regardless of the performance of the index. If the index closes at or above the step-down autocall barrier on any of the semi-annual observation dates, the product redeems early, returning 100% of the nominal invested. The product is not listed. A one-off entrance fee of 3.52% applies.

MIDDLE EAST & AFRICA

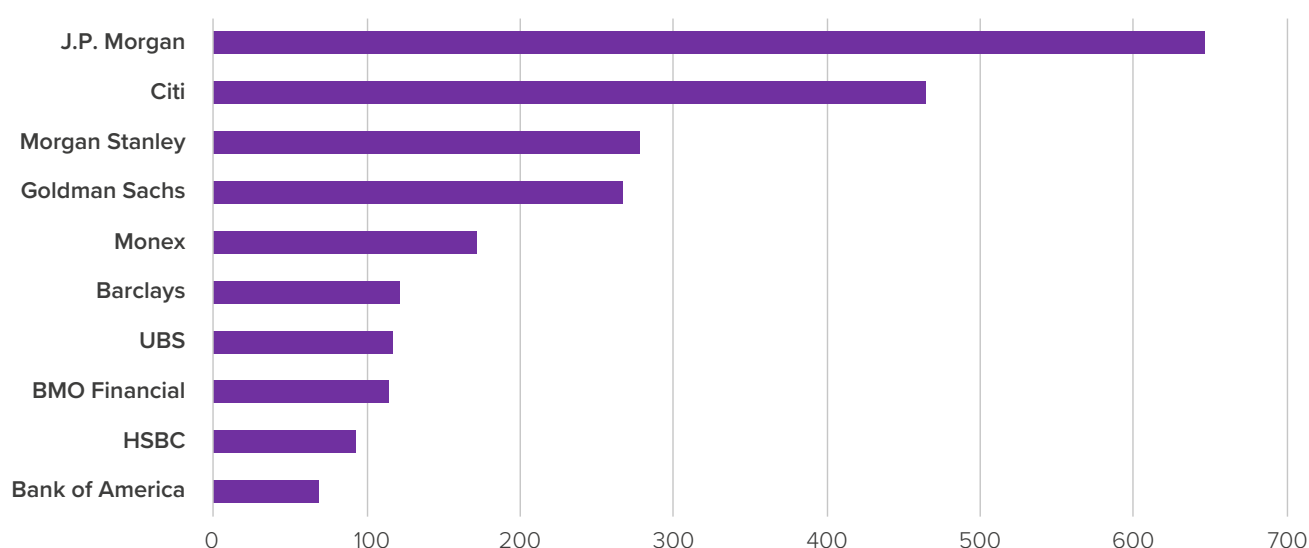
Absa introduced issue 56 of its Twin Fixed Return and Growth Protector as a private placement in South Africa. Half of the investment is placed in a growth account returning a coupon of 51% after three-years. The remaining 50% offers 150% uncapped participation in the MSCI World Business Cycle Clock Factor Select Index, subject to six-months backend averaging. There is a fee of 2.30% for financial advisers. An administration fee of 1.25% also applies.

NORTH AMERICA

Morgan Stanley Wealth Management sold US\$5.6m worth of Contingent Income Autocallable Securities (90289V799) on the common stock of Deere & Company in the US. The three-year registered note offers a coupon of 2.50% for each quarter the share does not close below 60% of its initial level. However, if on any of the quarterly observation dates, the share closes at or above its initial level, the securities redeem early, and the investor receives 100% capital return. The product is issued via the London branch of UBS. The underwriting fee of 2.25% reflects a fixed sales commission of 1.75% and a structuring fee of 0.50%.

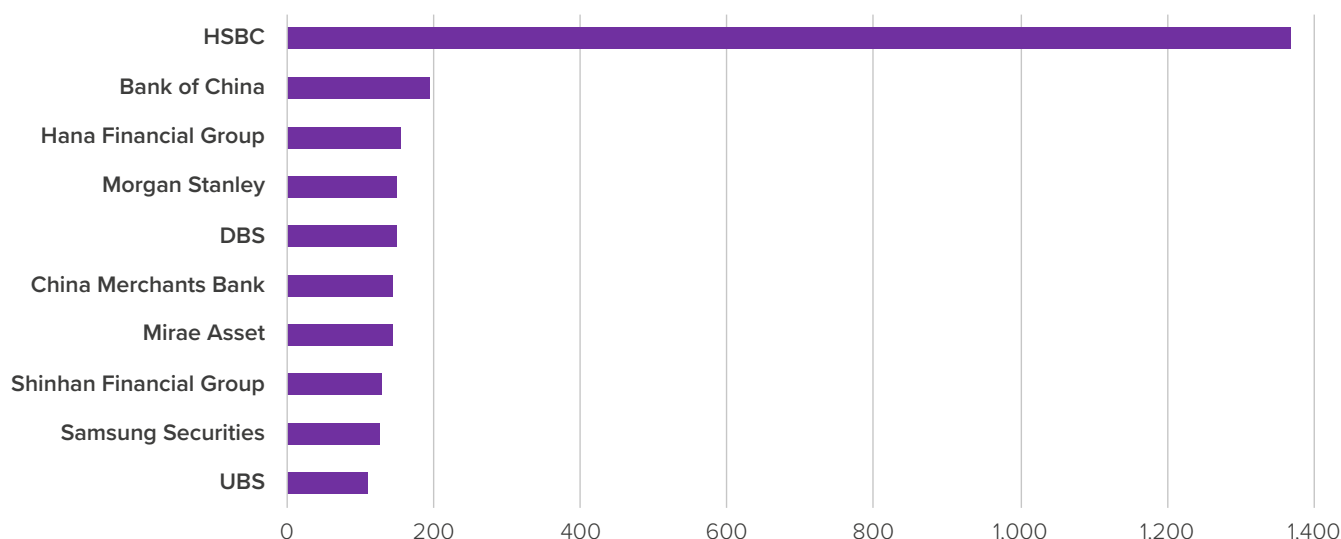
Also in the US, **Citigroup Global Markets** gathered sales of US\$0.95m with its Market-Linked Securities (17330Y2J8) on the proprietary Citi Radar 5 Excess Return Index. Based on the

Americas: top 10 issuer group by issuance - 14 Nov 2022 to 15 Jan 2023*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

PRODUCT WRAP
Asia Pacific: top 10 issuer group by issuance - 14 Nov 2022 to 15 Jan 2023*


*Excluding flow- and leverage products

Source: [StructuredRetailProducts.com](https://structuredretailproducts.com)

premise that there is a relationship between the prevailing interest rate environment in the US and the relative performance of different sectors of the US equity and treasury markets, the index seeks to determine daily whether the US is in a 'rising' interest rate environment or a 'not rising' interest rate environment. To maintain a volatility target of five percent, the index will also allocate exposure to US Treasury note futures and, potentially, to uninvested cash. The four-year registered note offers minimum 100% capital return, plus 450% participation in the rise of the index. There is an underwriting fee of 4.1%. The estimated value of the securities on the pricing date was US\$914.20.

ASIA PACIFIC

Sequoia Asset Management distributed Sequoia Launch Series 65 in Australia. The three-year product is wrapped as a deferred purchase agreement. It offers access to the Goldman Sachs Dynamic Alternative Strategy Index, which tracks a dynamic basket of alternative managers subject to a five percent volatility target with dynamic allocation services provided by the alternative investments & manager selection (AIMS) Group of the Goldman Sachs Asset Management division. It aims to provide an attractive risk adjusted return over the medium term with low and ideally negative correlation with traditional risky assets such as equities during times of crisis. Investors have the potential to receive annual uncapped performance coupons depending on the index performance applied to the full leveraged investment amount, adjusted for changes in the AUD/USD exchange rate. The total of all performance coupons received during the investment term needs to be equal to or greater than the break-

even point of 9.99%. The minimum total investment amount excluding any upfront adviser fees is A\$9,990.

IwaiCosmo Securities collected JPY470m (US\$3.5m) with ノックイン債/KI Nikkei M20241205 in Japan. The two-year registered note is issued via Crédit Agricole CIB and pays a fixed quarterly coupon of 3.92% pa. The product autocalls if the Nikkei 225 closes at or above 105% of its initial level on the quarterly validation date. At maturity, an American barrier of 60% applies.

Bank of East Asia launched 结构性存款产品系列/CNY Structured Note S2591 in China. The three-month deposit is linked to the appreciation of the Australian dollar relative to the US dollar. At maturity, the product returns 100% of the nominal invested plus a coupon of 4.9% pa if the currency pair has remained within the range [-0.005 and +0.005] of its initial level throughout the tenor. If the level of the AUD/USD has been outside the range, but not higher than +0.2 and lower than -0.2, the product offers a coupon of 3.9% pa. Otherwise, the coupon is 1.1% pa.

Taishin Bank distributed a three-year US dollar denominated note (159000534199) in Taiwan. The product is linked to the interest rate and targeted at private banking clients. Citigroup Global Markets is the issuer.

Goldman Sachs International was the derivatives manufacturer for NH Now ELS 108 in South Korea. The 1.5-year securities are linked to the share of Tesla. The product has a step-down autocall barrier which starts at 80%. At maturity, the investor receives 100% capital return, plus a coupon of 40.2% if the share closes at or above 65% of its starting level.

People Moves



DBS promotes structured product specialist in HK



Jeremy Kok (pictured) has been appointed as head of treasury & markets (T&M), Hong Kong at DBS Bank.

Kok has been charged with 'managing market risk exposures, leading new product initiatives to meet evolving market demands, and setting the strategic direction for pricing models and systems

development to drive the derivatives and structured products business', a spokesperson from the bank told SRP.

In his new role, Kok will oversee all aspects of the T&M division, driving business strategy across all functions including sales, trading, and fixed income. He will also represent the bank's T&M business as a member of the DBS Hong Kong Management Committee.

Prior to the promotion, Kok held dual roles as managing director, regional head of credit derivatives and quant tech modelling at DBS. During this time, he set up the bank's fund structuring unit which launched T&M's first variable capital company fund in

Singapore. Kok joined DBS Bank in September 2006.

He will succeed Tak Lap Leung, who will relocate to Singapore to assume the role of group head of T&M advisory sales from 1 February. Since joining DBS Bank Hong Kong in 2003, Leung has led the digital transformation of the business through embedding innovation and data.

Sebastian Paredes, chief executive officer of DBS (Hong Kong) said the T&M team 'has propelled the business to greater heights despite the difficult market environment in the past years'.

Unicredit head of PIP shifts to investment strategy



Nicola Francia (pictured), head of Private Investor Products (PIP) & Southern Europe coverage at Unicredit in Milan has joined the Unicredit's Group Investment Strategy (GIS) division in a senior position. In his new role, Francia will work within the team responsible for defining and communicating the bank's investment

PEOPLE MOVES

strategy for all client segments, managing portfolios under mandate and supporting related client activity within the wealth management and private banking franchise. He will remain based in Milan and report directly to Alessandro Caviglia, chief investment officer, Italy, UniCredit Group.

During the last eight years at Unicredit, Francia has held several senior roles within the bank's structured products business including head of private investor products (PIP) Italy, head of PIP external network Italy and public distribution Italy & France, and head of external network and public distribution of private investors products (PIP) Italy.

Before joining UniCredit in 2015 after a short period at BNP Paribas, following the acquisition of the RBS's Structured Retail Investor Products and Equity Derivatives (IP&ED) business in 2014, he joined UniCredit in January 2015. Francia spent the majority of his career working for ABN AMRO and RBS, covering various roles in private investor products distribution before the appointment as head of public distribution EMEA.

Francia was one of the founding members of the Italian Certificates and Investment Products Association (Acepi) in 2008 and is also a board member at the European Structured Investment Products Association (Eusipa).

Société Générale (SG)



SG has announced the appointment of **Bertrand Cozzarolo** (pictured) as head of SG Private Banking, effective 1 February 2023.

Cozzarolo will report to Sébastien Proto, deputy general manager in charge of the Société Générale, Crédit du Nord, Private Banking networks and their

Innovation, Technology and IT division. Cozzarolo who is currently head of sales and marketing at Société Générale Retail Banking in France will replace Patrick Folléa, who has resigned from his role to 'pursue new challenges outside the banking industry', according to the bank.

As part of the management reshuffle, Olivier Paccalin and Mathieu Vedrenne have been appointed deputy heads of Société Générale Private Banking - they will both maintain their current responsibilities, respectively, as head of sales and solutions, and head of private banking France.

Cozzarolo began his career with the General Inspectorate within the French Ministry of Finance before joining SG in 2004. He became chief financial officer of the Group's Egyptian retail banking subsidiary in 2006 and moved to Bulgaria as deputy general manager of SG Expressbank before returning to France in 2011 as chief of staff to Frédéric Oudéa and Séverin Cabannes.

Standard Chartered Bank (SCB)



Paul Crowe (pictured) has parted ways with SCB following his 12 years where his last role was executive director, head of derivatives and fixed income technology & innovation based in Hong Kong SAR, according to sources close to the matter.

Most recently, as head of derivatives & fixed income technology & innovation, Crowe led the digital transformation of SCB's fixed income, equity and FX derivative products for affluent clients in Asia, including driving adoption of cloud, DevOps, application programming interface (API) and microservice strategies.

Prior to that, he was the delivery head of derivatives and fixed income from October 2019 to April 2022. During his tenor, the UK bank in China launched an electronic trading platform for equity-linked structured deposits in December 2020.

Crowe joined the UK bank in Hong Kong SAR in 2011 as senior program manager, institutional equities overseeing cash equities and equity derivatives brokerage business' local and regional initiatives. Before SCB, Crowe had a stint at GFI Group and J.P. Morgan where he worked as a business analyst.

Indosuez Wealth Management (IWM)

Crédit Agricole's private banking arm IWM has added three senior wealth management experts including bankers, following the recent establishment of new market segments, including Southeast Asia and North Asia, that anchor the company's presence in Asia.

Sandy Chen joins as managing director, senior banker. Chen has close to 20 years' experience in wealth management in the industry. Before joining Indosuez, she was senior vice president at UOB Private Banking where she managed ultra-high-net-worth clients in Singapore and China.

Mark Chester Ng has also joined as executive director, senior banker. He joins Indosuez from Citibank where he began his banking career before moving into private banking in 2008. Prior to Indosuez, Ng was at J. Safra Sarasin where he expanded the ultra-high-net-worth segment targeted at entrepreneurs, business owners and their families in Southeast Asia.

Both Chen and Ng report to Ong Yeng Fang, global market head, Southeast Asia who was appointed in September 2022 to lead the Southeast Asia market segment.

In addition, Indosuez has appointed **Sarah Lee**, as director, senior

portfolio manager, asset management. Before Indosuez, Lee was in charge for the global equities portfolio at BNP Paribas Wealth Management, where she led with a focus on thematic and sustainable mandates. She also supported in tailor-made solutions for multi-asset portfolios and equity portfolios.

J.P. Morgan senior trader joins Citi

Nuria Paredes has joined Citi this month as Emea head of MSCI index and synthetic baskets trading, according to an internal memo seen by SRP.

Paredes has joined the bank's Emea prime finance team, based in London, and will focus on enhancing the index and synthetic baskets trading platform and 'maximise future opportunities in this space'. She joins from J.P. Morgan where she was head of Emea trading synthetic baskets and structured products.

Paredes has a 15-year track record in the industry, having previously spent 21 years at J.P. Morgan in various senior roles. She joined the US investment bank in 2009 as a delta one trader - MSCI and synthetic baskets and was promoted to head of Emea trading for synthetic baskets and structured products with delta one pay-off in 2016.

She joined J.P. Morgan from BNP Paribas Securities Services where she had a one-year stint as a custody account officer. Citi declined to disclose Paredes reporting lines.

HSBC

HSBC has hired **Munish Thairani** as the global head of production engineering and infrastructure DevOps for global payments solutions technology. He joined the UK bank after more than 11 years at Deutsche Bank, most recently as global head of payments production, leading the production transformation strategy.

He also worked as global head of equity derivatives production for three years and head of Emea equity derivatives production during his tenure. Prior to Deutsche, he was head of Emea equity derivatives production for equity-linked technology at the Bank of America Merrill Lynch.

Index Standard

The Index Standard has appointed **Branislav Nikolić** as managing director, head of insurance, to bolster the

firm's business development, research on annuities and development of decision-making tools for annuity-based products.

Based in Toronto, he will report directly to Laurence Black, founder of The Index Standard. Prior to joining the index platform, Nikolić was vice president of research at Toronto-based Cannex Financial Exchanges where he spent a decade providing custom research and analytics projects related to retirement income planning.

UBS poaches Credit Suisse structurer



UBS has hired Credit Suisse banker **Veronica Kaufman** (pictured) as an executive director in its Australian capital markets team in Melbourne. She was head of corporate derivatives at Credit Suisse in Australia, returning to the Swiss bank's local team only mid last year after stints with Deutsche Bank and Morgan Stanley offshore.

She will start at UBS in February and work with the bank's client coverage and capital markets teams, SRP Understands. Kaufman started her investment banking career with Credit Suisse in Melbourne in 2009 before heading to the UK in 2014 to join Deutsche Bank as vice president, structuring and strategic transactions. She was assigned associate equities structuring and strategic transactions in 2016.

She moved to Morgan Stanley in 2018 as vice president, corporate equity derivatives and was promoted to executive director in 2019.

BNP Paribas adds to EQD in global markets Americas push

The French bank has named **Robert McDonald** as head of strategic equity solutions and equity-linked origination and Nadim Siddique as head of strategic equity derivatives trading within the bank's global equities business. Based in New York, they both will report to John Gallo, head of global markets Americas.

The division is led by Nicolas Marque who stepped up from equity derivatives to global equities to run the three teams with Renaud Meary filling his boots.

McDonald and Siddique will partner across sales and trading to structure and execute convertible transactions and equity derivative solutions, including share buyback programs,

PEOPLE MOVES

hedging and monetizing positions through margin loans, variable pre-paid forwards, and other structures.

McDonald has worked in equity capital markets and equity corporate derivatives since 2008. He joins from Mizuho where he was managing director, equity-linked origination, corporate equity derivatives since May 2021. Previously, he held senior roles at Credit Suisse and Nomura in both New York and London in equity & fund investment solutions and equity derivatives product development.

Siddique has 25 years of equity derivatives trading experience within sell- and buy-side institutions. Prior to joining BNP Paribas, he was head of equity derivatives North America at CIBC World Markets Group. Siddique also worked as managing director, equities at Citadel, and head of equity derivatives, Japan, at Morgan Stanley. He started his career as an equity derivatives trader at J.P. Morgan in 1997.

Julius Baer poaches Citi structured product specialist



Karthik Chandrasekaran (pictured), former head of brokerage and structured products at Citibank International Personal Bank (IPB) Singapore has joined Julius Baer as executive director, non-resident Indian (NRI) investment specialist. He continues to be based in Singapore.

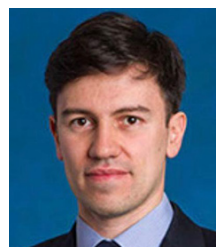
Chandrasekaran started on his new role at the Swiss bank on 5 December after his 16 years at Citi. He reports to Rishabh Saxena, Apac head of investment specialists. He works across asset classes and partner with relationship managers within the wealth management solutions unit and as part of the investment specialists team, SRP has learnt.

Prior to joining Julius Baer, Chandrasekaran was heading the equities and structured products team at Citibank covering clients across Apac and Emea, a Julius Baer spokesperson told SRP.

After joining Citibank in Singapore in August 2017, Chandrasekaran had been leading the brokerage and structured products team for IPB. He managed a team of equity advisors and product managers with a US\$1 billion brokerage portfolio for high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) in Asia and Emea.

His responsibility at the US retail bank included the distribution of structured notes linked to equity assets and funds, which were cash and physically settled with varied payoffs, and of equity derivatives through equity-linked accounts.

Citi boosts Apac markets unit



The US bank has officially appointed **Mario Serafino** (pictured) as the sole head of Asia Pacific equity derivatives sales, filling the vacancy left by Troublaiewitch, according to a memo seen by SRP. Serafino reports regionally into Paul Marchington, Apac head of investor services sales in Hong Kong SAR, and globally into Quentin Andre, global head of multi-asset group (MAG) at Citi in London.

In addition to managing the Apac sales teams across equity derivatives flow & delta one as well as Multi Asset Group (MAG) structuring, Serafino will be in charge the Solutions for Financial Intermediaries (SFI) team in Financial Institution Sales and Solutions (FISS) for the region. Based in Hong Kong SAR, he will work closely with the rest of the FISS regional sales teams 'to maximise commercial opportunities for the product set'.

Prior to joining Citi in October 2022, Serafino spent the past 19 years at J.P. Morgan, most recently heading the institutional solution sales and cross asset third party distribution team across Asia Pacific.

In addition, the US bank has appointed Mohit Singh and Sue Lee as new co-heads of FISS for Markets in Asia effective 1 January 2023. The new co-heads have been charged with executing Citi's FISS strategy across financial institutions in Asia.

Based in Hong Kong SAR, Singh is currently head of global spread products (GSP) sales for Asia and co-head of generalist sales. Singh will focus more on the bank's public side activities and will also be responsible for product specialist, country generalist and relationship management teams. He will also work closely with Lee to grow GSP financing & securitisation.

UBS promotes derivatives head to co-lead GM in Apac



Effective from this month, **Thomas de Garidel** (pictured), managing director, has become the co-head of global markets, Asia Pacific (Apac) at UBS, along with Tim Wannenmacher who specialises in prime services, a spokesperson at the bank told SRP.

The duo succeed Taichi Takahashi, who has been elevated to head of investment bank, Apac. They all continue to be based in Hong Kong SAR.

TaDa chatbot

Forget the slow, error-prone email exchanges and legacy systems that can see operations teams spending up to 50% of their time manually retrieving and reconciling data.

Developed for use on the Symphony platform and using ipushpull technology, ETD's TaDa chatbot helps you improve efficiency and better resolve post-trade risk, clearing, settlement and regulatory reporting issues.

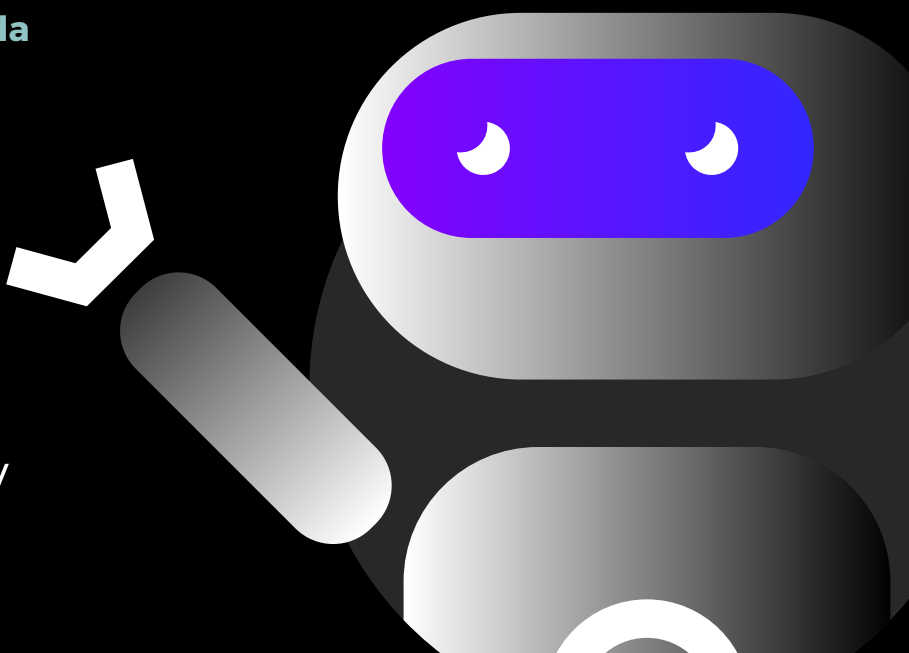
Instant access to high-quality reference data including:

- Symbology
 - Corporate Actions
 - Calendar Dates
 - Contract Specifications
 - Historical Transaction Reporting
-

Find out more about TaDa and request your free trial here:

euromoneytradedata.com/tada

ETD | Data by
design





www.structuredetailproducts.com