SRP Insight

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INNOVATION & COMPLEXITY

SRP

Euromoney Institutional Investor PLC

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- Combine data sets with other products and visualise it in the context of the larger business

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NEWS | EUROPE

Meleleo, SG target Swiss pension investors

Meleleo Consulting has collaborated with Société Générale for the launch of Pension Invest Certificate 2022 III in Switzerland.

The 10-year product offers 95% capital protection and is linked to the shares of Nestlé, Novartis, Roche, Swisscom and Swiss Re.

Every year, the certificate returns 9.5% of the nominal invested to the investor. In addition, it offers an annual memory coupon of two percent if all shares close at or above their respective starting levels on the validation date. The coupon is calculated on 100% of the nominal invested.

“Our clients are mainly insurance brokers and insurance companies who distribute our products to their end-customers,” said Gianni Meleleo (pictured), founder and managing partner at Meleleo Consulting. “The clients of these insurance brokers need the possibility to reinvest their money without having to suffer an excessive loss of their invested funds in the worst-case scenario.

“This pension invest certificate allows them to reinvest the money that they get from their pension fund. They will get a yearly return of 9.5% on their invested capital, so they have a secure income with also the possibility to get annual income, depending on the evolution of the underlying shares.”

The 9.5% annual distribution is always calculated from the initial level. Clients invest 100% to get back 9.5% each year.

“It doesn't matter how the stock market is performing, the 9.5% per year is fixed,” said Meleleo.

The company opted for an underlying basket comprising of five Swiss names, as these are companies’ people are very familiar with in Switzerland.

Raoul Meleleo, sales & business development at Meleleo Consulting added: “Everyone knows them because they are a big part of the Swiss Market Index […] Therefore, it is easy for the insurance brokers’ end customer to understand what is involved in this product.”

The maximum overall capital return of the certificate is 115%, something which is marked by the company as a possible disadvantage.

“We try to be as transparent as possible. If all underlying shares performed, say 100% above their initial level, the investor still gets 115% capital return, and not 200%, because a structured product is an indirect investment and not a direct investment in the underlying.

“On the other hand, if one of the underlyings falls by 50% or more, we still give them 95%,” said Raoul Meleleo.

The certificate is targeted at investors who expect the underlying shares to remain stable or increase slightly over the investment term.

“It's a very safe product for customers that are retiring or already in retirement. The people who invest here cannot afford to lose money, they have to have some safe haven, and this is the kind of safe haven that we can provide for our insurance brokers as our clients, and that they can provide to their end customer in return,” Raoul Meleleo concluded.

“

Our clients are mainly insurance brokers and insurance companies who distribute our products to their end-customers

UK brokerage enters US structured products market

Causeway Securities has been granted membership of the US Financial Industry Regulatory Authority (Finra).

The regulatory approval enables Causeway to distribute structured products in the US market.

"We look forward to bringing fresh ideas to the market and at the same time believe having a robust regulated presence both in the UK and the US will enhance our wider service offering," said Conor O'Donnell (pictured), CEO of Causeway Securities.

The US structured product market has seen significant growth in recent years in terms of sales volumes, number of products and market participants. Last year saw the market crossing US$100 billion in sales volumes for the first time, which means it has more than doubled in size since 2011.

According to SRP data, the latest US market figures for H1 2022 show that the upward trend continues with more than US$49 billion collected from 16,324 structured products in the period.

"The structured product market in the US has experienced a renaissance in recent years with increased acceptance of their strategic portfolio value alongside equities and other asset classes," said O'Donnell, adding that there is room for further growth aided by increased concerns over volatility and rate increases.

Structured products have traditionally been a European centric asset class, with the US lagging somewhat behind, but in recent years the US has seen a real uptake in structured products across various client types, including institutional and retail investors.

"It is a huge market with huge potential," said O'Donnell.

Causeway is hoping to have its first live products in the US by the end of September. The company has agreements with several banks, with another five or six to follow shortly while it is also in the process of recruiting a sales team, which will be spread across the US.

The products – both certificates of deposit (CDs) and SEC registered notes – will be distributed via a mixture of private banks, broker dealers, and registered investment advisors (RIAs).

"Regulated financial advisory will be our primary channel, quite similar to our international and UK business," said O'Donnell.

The SRP UK database lists 39 live structured products that are distributed via Causeway Securities. They are issued on the paper of eight different issuers and include 32 structures on the FTSE 100. In the UK market there still is a real focus on the FTSE 100 (products linked to the UK benchmark had a 72.50% market share in 2021) whilst in the US there is more of a focus on baskets of stocks and US indices like the S&P 500, Russell 2000 and Nasdaq 100.

"That didn't surprise me but what did stand out to me in terms of differentials between the two markets is the maturity length," said O'Donnell.

Retail plans in the UK mostly have a maturity of between five and 10 years, whereas products in the US generally have a shorter term.

"Potentially, it's an opportunity for us to differentiate ourselves with longer dated maturities, but ultimately our solutions will be advisor and client led," O'Donnell said.

"

Regulated financial advisory will be our primary channel, quite similar to our international and UK business

Dutch manager aims at low correlation with BNP Paribas 'easy coupon' play

Wilgenhaege has collaborated with BNP Paribas for the launch of Easy Coupon in the Netherlands.

The five-year product offers a memory coupon of 18%, providing the shares of ASM International and ASR Nederland close at or above 80% of their respective starting levels on the annual observation date.

It is the asset manager's first Phoenix autocall since November 2021, having preferred the Athena (growth) structure for its last three launches.

The choice for a Phoenix autocall was mainly motivated to diversify the company's offer, according to Tjerk Smelt (pictured), director relationship management, asset management & private investments, Wilgenhaege.

"We have a broad clientele who all have different wishes, requirements and objectives," said Smelt. "With the Phoenix structure, the chance of a direct, annual interest payment is greater and that is still appealing, despite the slightly increased interest rate."

Wilgenhaege's research team does extensive research into the shares it deems eligible to be included in a structured product.

"Right now, to be able to offer an attractive coupon, you need a combination of at least two shares," said Smelt.

ASM International has fallen almost 40% in price this year, while the economic situation (strong balance sheet, strong profitability, high cash flows, good market position etc) and the growth prospects of the market have not changed.

"The share is quite volatile and therefore interesting [as part of a basket] for an autocallable," said Smelt, adding that the price decline is mainly the result of interest rate developments.

"We expect strong earnings growth for ASM International in the coming years, and even with higher interest rates we expect the share to show a higher price within the next five years."

ASR, the other selected share, is a stable company with a strong position in the Dutch market. It has a solid balance sheet, generating high cash flows and dividends. Smelt is expecting modest earnings growth for this stock, while the current valuation is low.

"ASR is clearly less affected by interest rate developments than ASM International and the correlation between the two is relatively low, making the combination an interesting coupon."

Easy Coupon is Wilgenhaege's fourth structured product in 2022 to date, compared to five in the whole of 2021, although Smelt insists the issuance of products is related to the ability to offer an interesting product, and not linked to the performance of the markets.

"Inflation developments are an important factor in today's financial markets, and they are largely determined by external factors, such as geopolitical tensions and Covid developments.

"We have no explicit forecast for the financial markets for the rest of the year since it is a relatively short horizon. We do have an opinion on these two companies, and we believe there is a real chance that both companies will be higher than the current share price at some point in the next five years," Smelt concluded.

Right now, to be able to offer an attractive coupon, you need a combination of at least two shares

FSMA vigilant on greenwashing, bans four products

The Belgian regulator deemed four structured products linked to proprietary indices 'too complex' for retail investors in 2021.

The Financial Services and Markets Authority (FSMA) analysed 20 structured products with new features in 2021. Of these, four products were seen as 'particularly complex' by the regulator as they did not meet the criteria of the moratorium, and were not sold in the retail market, according to the FSMA's annual report. A year earlier, in 2020, the watchdog had examined 38 structured products of which 12 were banned.

The moratorium, which is endorsed by almost all providers of structured products in Belgium, sets several criteria – including the accessibility of the underlying – to avoid the commercialisation of overly complex structured products. In addition, it aims to provide investors with a better understanding of the costs, credit risk and market value of structured products.

The calculation formula of the products that were prohibited in 2021 was often determined because of so-called proprietary (or house) indices – and in the context of that analysis, the FSMA examined the accessibility of 14 new proprietary indices.Using proprietary indices has been visible since 2013 and, in 2021, they were the most common underlying asset for structured products, both in terms of issuance and sales volume.

Proprietary indices often contain mechanisms that minimise their volatility, deduct a fixed dividend, and respond to current themes such as ESG. The latter, especially, is becoming more and more important for the Belgian investor, with product manufacturers and the commercial strategies of providers of investment products increasingly responding to the ESG nature of products, according to FSMA chairman Jean-Paul Servais.

'That's a positive trend, but it also means that the FSMA and its foreign counterparts must be particularly vigilant to avoid greenwashing. A sustainable financial product must be more than a mere marketing tool,' said Servais.

Structured products commercialised since launch moratorium (1 Aug 2011 - 31 Dec 2021

	Issuance since launch moratorium	Sales €m*
Class 23 (insurance)	**602**	**19,794.42**
According to moratorium	601	19,794.42
Opt-out	1	not available
Securities (notes)	**2,016**	**22,478.34**
According to moratorium	1,918	22,478.34
Opt-out	98	not available
Deposits	**18**	**245.48**
According to moratorium	18	245.48
Structured funds	**440**	**14,142.76**
According to moratorium	427	14,142.76
Opt-out	13	not available
Private notes	**2,957**	**not available**
According to moratorium	170	not available
Opt-out	2,787	not available
Total	**6,033**	**56,661.00**

**Excl. private notes and products under the opt-out regime*

Source: FSMA annual report 2021

Since the launch of the moratorium in August 2011, 6,033 structured products have been commercialised in Belgium. Of these, 3,134 products worth a combined €56.7 billion are covered by the moratorium. The remaining 2,899 products are issued under the opt-out regime that allows distributors not to apply the moratorium to investors holding at least €500,000 in deposits and financial instruments at that institution.

The amounts invested by Belgian investors in structured products, especially in structured funds and Class 23 insurance products, fell sharply in 2021, according to the FSMA. This is confirmed by SRP's own data, which registered sales of €1.4 billion collected from 137 products in 2021 compared to €3.3 billion collected from 212 products the previous year.

In 2021, the FSMA also examined a representative sample of key information documents (KIDs) it had received between 1 January 2018 and 28 February 2021, for quality assessment. The audit showed that compliance with the Priips regulation remains 'a challenge' for the sector.

According to the regulator, manufacturers often adopt an abstract and legal description, combined with a table of definitions when describing the purpose of the product, which makes reading the KID difficult.

'Certain manufacturers seem to have a lot of energy and resources into the drafting of their marketing materials but pay less attention to the quality of their KID,' the FSMA stated.

UK firm rolls out MTF venue in Spain for structured note issuers

The new multilateral trading facility is targeted at issuers seeking to streamlining admin processes and simplifying the listing and issuance of products.

King & Shaxson Capital Markets, the Spanish subsidiary of UK specialist investment firm King & Shaxson, has launched Dowgate, a multilateral trading facility (MTF), a new multilateral trading facility specialised in the trading of public debt and derivatives instruments, located in Spain.

The rulebook of the new multilateral trading system was approved by Spanish regulator CNMV in 2019. The new investment firm is part of the King & Shaxson group, which also operates the Dowgate MTF, a multilateral trading facility in London.

Dowgate is the latest MTF operating in Spain, which include MAB, MARF, Senaf and Latibex. King & Shaxson operates its KSCM EURO LIST platform for fixed income bonds since 2022.

The new firm will be led by equity derivatives veteran Pablo Yravedra (pictured) who has more than 25 years of market experience and has held a number of senior roles including as head of financial markets sales and head of equity derivatives sales at ING, as well as senior credits & ETF sales at Tullett Prebon.

"We are providing a fully-fledged regulated listing facility that will enable issuers to streamline all the admin processes and simplify the listing and issuance of products," Yravedra told SRP. "The platform's solid infrastructure has been built in-house on the feedback we have received from clients.

"We have a number of clients lined up which will start using the platform in the coming months. We have received very positive feedback from clients as they see this as an opportunity to expand their issuing capabilities and frequency and reduce the administrative burden."

Dowgate MTF will focus initially on structured notes but the firm has plans to expand its offering to other instruments.

"We will also offer listing facilities for public debt instruments and bonds," said Yravedra. "Structured products are well positioned to grow in the current macroeconomic environment as investors are looking for market exposure in a less aggressive way. With interest rates coming up protection is a key element of structured products to offer added value to investors. We expect the market to grow and want to position ourselves as a key player in the listing space."

According to Luna Narvaez, counsel at Dowgate MTF, the new platform will enable issuers of structured notes to meet new regulatory requirements and guidelines under the Mifid 2 regulation when transacting over-the-counter (OTC).

"By reducing the cost of listing we are providing a viable alternative for smaller issuers seeking to benefit from the transparency of a regulated multi-trading facility," she said. "Any structures issued and listed on the platform will be able to be transacted on any other European MTFs."

The platform which is fully automated will allow issuers to create their own profile, upload EMTN programmes and term-sheets as well as reduce the issuance time to a matter of hours instead of days.

The new platform is targeted at institutional investors and will not be available to professional and retail investors.

King & Shaxson Capital Markets is part of Singapore-based Phillip Capital, a financial group operating fixed income, derivatives, CfDs, ETFs, private equity, Research, corporate finance and fund management across 15 markets.

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We have a number of clients lined up which will start using the platform in the coming months

Spotlight on... top issuers in Germany (Q1 2022)

Some 5,757 structured products worth an estimated €4.3 billion were issued on the German primary market in the first quarter of 2022. Sales volumes increased by 96% year-on-year while issuance was up 16% (Q1 2021: €2.2 billion from 4,951 products).

Nineteen different issuer groups were active – a mixture of large German financial institutions and European/US investment banks – compared to 22 in the prior year quarter.

Landesbank Hessen-Thüringen, Morgan Stanley and Raiffeisen Switzerland, who had a combined market share of 2.2% in Q1 2021, did not issue any products this time around.

Dekabank was the number one issuer group in the quarter. The bank, which is the central provider of asset management and capital market solutions of the Sparkassen-Finanzgruppe, claimed a 40.8% share of the German market – an increase of 18.9% YoY.

Deka sold 1,158 structured products in Q1, of which 87% were reverse convertibles. The Eurostoxx 50 was the most used underlying (339 products), but ESG decrement indices such as MSCI World Climate Change ESG Select 4.5% Decrement EUR Index (296) and MSCI EMU Climate Change ESG Select 4% Decrement Index (57) were also frequently used.

Landesbank Baden-Württemberg (LBBW), in second, captured 20.3% of the market (Q1 2021: 21%). The bank issued 836 products, including 33 structures on the idDax 50 ESG NR Decrement 4% PR EUR Index, for which it signed an exclusive licence agreement with Qontigo at the end of last year.

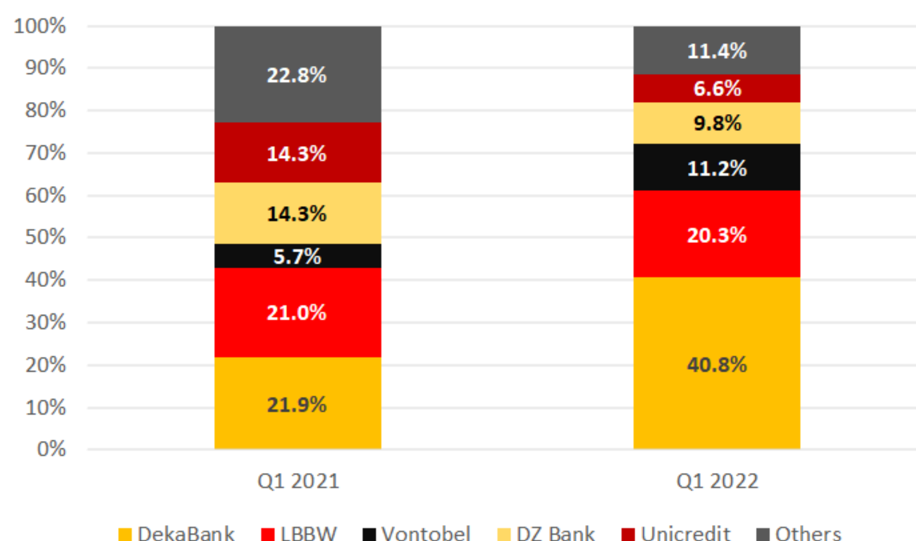
Across the German market, the number of products linked to an ESG underlying increased by 100%: from 264 products in Q1 2021 to 529 products in Q1 2022.

Third placed Vontobel held an 11.2% market share – up from 5.7% in Q1 2021. The Swiss structured product specialist issued 593 reverse convertibles, predominately on single stocks or a basket of shares.

DZ Bank (9.8% market share) launched 382 products in the quarter, including 341 with a knockout feature, while Unicredit (6.6% market share) completed the top five. The latter issued 2,119 products in the quarter – the highest issuance from a single issuer by some distance.

Credit Suisse (2.9% market share), BNP Paribas (2.2%), Société Générale (1.8%), UBS (1.3%), and Goldman Sachs (1.1%) were among the other issuers active in the quarter.

Germany: top five issuer groups by market share*



**Public offers, excluding flow- and leverage products*
Source: StructuredRetailProducts.com

Dekabank almost doubled its market share in a quarter which was marked by an influx of ESG decrement indices

Spectrum Markets trading volumes grow 96% YoY

Spectrum Markets traded 357 million securitised derivatives in the second quarter of 2022, compared to 182 million in Q2 2021 – an increase of 96% year-on-year.

Turnover, at €879m, increased by 250% on the previous year while retail investors continue to opt for out-of-hour trading.

During Q2 2022, 40.2% of individual trades took place outside of traditional hours (between 17:30 and 9:00 CET).

88.6% of securitised derivatives traded were on indices, 4.8% on commodities, 5.4% on currency pairs, one percent on equities and 0.2% on cryptocurrencies, with the most traded underlyings being S&P 500 (25.7%), Dax 40 (24.7%) and Nasdaq 100 (15.2%).

In April, Spectrum added cryptocurrencies as an asset class, with turbo warrants on Bitcoin and Ethereum now available.

Spectrum also welcomed Equita, one of Italy's largest independent investment banks, as a direct Member of the exchange, bringing a new source of trading volume to the venue.

'Spectrum is still growing in volume as we continue to introduce new innovations, all against a backdrop of a wider downturn in trading triggered by economic uncertainty,' stated CEO Nicky Maan, commenting on the second quarter results. 'I'm particularly pleased to see European retail investors clearly remaining very active during out-of-hours trading, underlining our confidence that this growing trend will persist.'

UK regulator tightens rules to reduce risk of mis-selling

The UK Financial Conduct Authority (FCA) has finalised stronger rules to help tackle misleading adverts that encourage investing in high-risk products.

Under the new rules, firms approving and issuing marketing must have appropriate expertise, and firms marketing types of high-risk investments will need to conduct better checks to ensure consumers and their investments are well matched.

Financial firms offering investment products will also need to use clearer and more prominent risk warnings and certain incentives to invest, such as 'refer a friend bonuses,' are now banned.

As part of its Consumer Investments Strategy, the FCA want to reduce the number of people who are investing in high-risk products that do not reflect their risk appetite.

This follows concerns that a significant number of people who invest in high-risk products do not view losing money as a risk of investing and invest without understanding the risks involved.

These new rules build upon the FCA's more assertive and interventionist approach to tackling poor financial promotions, reducing the potential for unexpected consumer losses.

'We want people to be able to invest with confidence, understand the risks involved, and get the investments that are right for them which reflect their appetite for risk,' said Sarah Pritchard, executive director, markets, FCA (pictured). 'Our new simplified risk warnings are designed to help consumers better understand the risks, albeit firms have a significant role to play too. Where we see products being marketed that don't contain the right risk warnings or are unclear, unfair or misleading, we will act.'

The new rules will not apply to crypto asset promotions. Once the Government and Parliament confirms in legislation how crypto marketing will be brought into the FCA's remit, the FCA will publish final rules on the promotion of qualifying crypto assets.

"Our new simplified risk warnings are designed to help consumers better understand the risks

Unlock value investing on a global universe with the Shiller Barclays CAPE® Global Sector Index

Powered by CAPE®, the Shiller Barclays CAPE® Global Sector Index identifies long-term value potential across diversified global sectors.

Find out more at indices.barclays/shillerglobalsector

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Unlock value investing on a global universe with the Shiller Barclays CAPE Global Sector Index

Evolution and comparison of Value ratios

	PE	CAPE®	Relative CAPE®
Benefits	Simple ratio to determine valuation	Accounts for the earnings cycles Accounts for mean reversion of earnings	Accounts for sector idiosyncrasies Allows cross sector comparison
Considerations	One year earnings	Comparison across sectors	"Value trap" risk

Source: Barclays

WHAT IS VALUE INVESTING?

Value investors identify businesses that may no longer be supported or approved of, or are simply underestimated, but where they believe the business is sound and capable of producing strong economic returns. Investors seek out companies, in their opinion, whose share prices do not reflect the true worth of the company and are consequently trading at a discount to either the market index or their sector peers.

There are several reasons why a stock may become undervalued or suffer a downturn in its share price, the most common being short term profit disappointment, or a company may be undergoing major changes such as a restructure which often results in a share price fall, also a company can be in an industry or sector which is simply out of favour.

Value investors are seeking what is known as a 'margin of safety', or in other words, a gap between the current share price and its true value over time, and look to invest in stocks that are trading at a discount to their intrinsic value in the expectation that over a period of time, the stock price will increase to reflect its true value.

Value investors need to exhibit caution to avoid 'value traps'; firms in terminal decline, unable to implement positive change or complete a turnaround.[1]

After significant research between Barclays and Professor Shiller strong evidence was found that a value investing approach could also be applied at a sector level, whereby buying undervalued sectors could also produce excess returns.

THE EVOLUTION AND COMPARISON OF VALUE RATIOS

The CAPE® ratio was introduced in 1988 by Professor Shiller and John Y. Campbell as an improvement to the classic Price/Earnings (P/E) ratio.

The traditional P/E ratio is equal to price divided by the most recent 1-year earnings. A company's earnings can be volatile from year to year during the ups and downs in each business cycle. The traditional P/E ratio can, at times, be potentially unreliable in terms of understanding a companies' "true" valuation given a single year of earnings may not reflect the companies' actual earning power.

The CAPE® ratio is a variation on the traditional P/E ratio that uses the ten-year average of inflation-adjusted earnings instead of a single year of earnings. The CAPE® ratio may be suited for detecting long-term over-valuation and under-valuation in the stock market, since the ten-year horizon is longer than most business cycles, and therefore taking a long term average aims to smooth out the short term noise.

Each Index in the Barclays Shiller Index Family uses a modified version of the classic CAPE® ratio, called the relative CAPE® ratio, to standardise comparison across sectors. On an unadjusted basis some sectors always appear overvalued while others always seem undervalued, due to idiosyncratic differences between sectors. These persistent biases in sector CAPE® ratios are driven by inherent long-term underlying differences between sectors, such as the level of industry maturity, growth prospect and regulations. By using the Relative CAPE® ratio to select sectors, the Index aims to pick sectors that are potentially undervalued versus their own history.

The relative CAPE® indicator is the ratio of the current CAPE® ratio for a sector to its historical rolling twenty-year average CAPE® ratio with the additional removal of some outliers, in order to mitigate the effects of extreme or unusual events in the history of the applicable sector.

THE SHILLER BARCLAYS CAPE® GLOBAL SECTOR INDEX

As Value investing sees a resurgence, Professor Shiller and Barclays have extended their successful range of sector rotation indices to Global sectors. Using the latest thinking from Professor Shiller and Barclays, based on decades

of Professor Shiller's research, the Shiller Barclays CAPE® Global Sector Index is designed to offer global equity market exposure with a value bias, and is intended for buy-and-hold investors with a multi-year time horizon.

A diversified global index

Starting with a universe of ten sectors, the global index systematically identifies and allocates to undervalued global sectors with the most positive price momentum

Innovative methodology

The Index aims to outperform by applying Relative CAPE® to identify undervalued sectors set for outperformance. The index additionally combines Value with Momentum to avoid sectors that might be 'value traps'.

Backed by economic expertise

50 years of historic price and earnings data have been re-created for the global sectors. The continued partnership between Professor Robert Shiller and Barclays incorporates the expertise and latest thinking on the application of Value and CAPE®.

THE PARTNERSHIP

Professor Robert Shiller is an American economist, best-selling author and Sterling Professor of Economics, Professor of Finance, and Fellow at the International Center for Finance at Yale University.

Since 1991 he has, together with Richard Thaler, directed the Behavioral Finance Workshop at the National Bureau of Economic Research. Professor Shiller is ranked among the 100 most influential economists in the world. In 2010, he was named a top global thinker by Foreign Policy magazine, and in 2011, he was listed by Bloomberg as one of the 50 most influential people in global finance.

He was jointly responsible for developing the Standard & Poor's/ Case-Shiller Home Price Indices for the most important metropolitan regions in the US. The indices are widely used in academic research, investment management and are considered benchmarks for housing sentiment. Professor Shiller writes a column for the New York Times. He writes a regular column 'Finance in the 21st Century' for Project Syndicate, which publishes around the world. He is also a frequent guest on Bloomberg and CNBC.

In 2012, Professor Robert Shiller partnered with Barclays to develop the first Shiller Barclays CAPE® Index Family, based on US Sectors. Since then, Barclays and Professor Robert Shiller have extended the range of indices to include Europe and Japan sector strategies and then launched REIT, single stock and multi asset indices. In September 2022 Barclays and Professor Shiller added the Global Sector indices, applying a similar methodology to the US and European Sector indices, but this time providing exposure to global developed market stocks.

[1] http://indices.barclays/shillerglobalsector

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The Index methodology may be ineffective in allocating exposure to the best performing sectors. There can be no assurance that sectors with lower Relative CAPE® ratios and higher 12-month price momentum will outperform sectors with higher Relative CAPE® ratios and/or lower 12-month price momentum.

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Spotlight on... top issuers in the US (H1 2022)

Citi replaced Barclays as the number one issuer group in the first half of 2022.

Some US$49.1 billion was collected from 16,324 structured products in the first half of 2022 – a five percent decrease in sales volumes compared to the prior year semester (H1 2021: US$15.6 billion from 15,831).

Average sales volumes stood at US$3m, slightly down on H1 2021 (US$3.3m).

Seventeen issuer groups were active in the semester – they were mixture of US, Canadian and European investment banks.

Citi was the most prolific provider during the semester, replacing Barclays as the number one issuer. The bank captured a 15.1% share of the US market with sales of US$7.4 billion from 2,561 products (H1 2021: US$6.1 billion from 1,893 products).

More than 75% of its sales volumes came from products linked to equity indices, including US$2.8 billion gathered from products tied to an index basket and US$2.7 billion from structures linked to a single index.

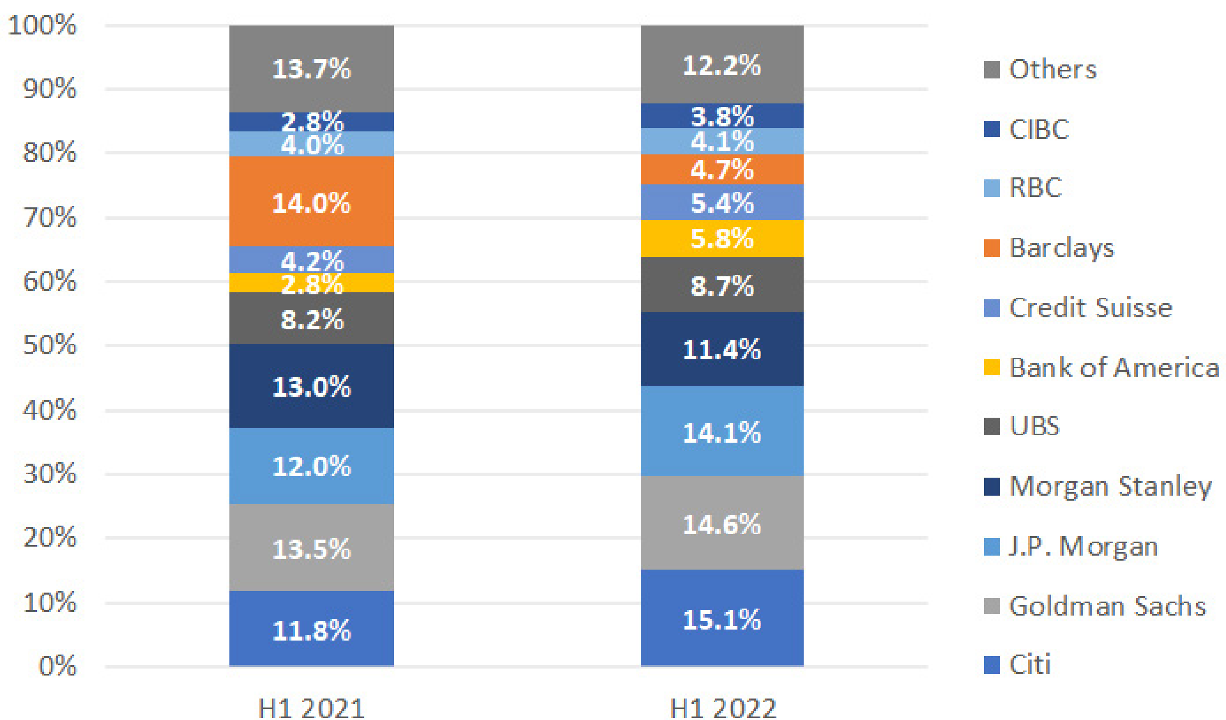
Citi's products were available, among others, via Morgan Stanley Wealth Management, Goldman Sachs Private Banking, First Trust Portfolios, Raymond James, and Incapital.

In second, Goldman increased its market share to 14.6% with sales of US$7.2 billion from 1,905 products while J.P. Morgan completed the top three, accumulating sales of US$3.2 billion from 3,480 products (14.1% market share).

Meanwhile, Barclays, which topped the issuers table in H1 2021, claimed a meagre 4.7% of the market this time around. It collected US2.3 billion from 555 products – down 68% in sales from the prior year period (H1 2021: US$7.2 billion from 1,382 products). All its products were sold during the first four months of the year.

Since 29 April, when it launched market-linked securities on the S&P 500 (via Wells Fargo), the UK bank has not issued any new products in the US. Bank of America, which held a 5.8% market share, and CIBC (3.8% market share), were the only newcomers in the top 10, replacing Scotiabank and HSBC, respectively.

US: top 10 issuer - market share by sales volume H1 2021 vs H1 2022



Source: StructuredRetailProducts.com

Scotiabank furthers collaboration with BNP Paribas in Mexico

Scotiabank and BNP Paribas have partnered to launch the Quanto MXN-denominated structured notes in Mexico.

The French bank acts as the hedge provider providing the derivative component on the underlying assets with Scotiabank packaging the note with principal protection and a leverage exposure at maturity. The note is denominated in MXN and the derivative component in Quanto MXN.

Linked to the MSCI Food Revolution and Ageing Society Indexes, the new products mark the first-ever launch in Latin America of structured investments linked to custom MSCI indexes.

The MSCI USA IMI Ageing Society Select Index includes companies catering to the health, recreation and lifestyle needs of older populations, and the MSCI USA IMI Food Revolution Select Index, is comprised by companies associated with new products and services focused on improving the way food is produced and consumed.

The new products provide an investment approach that seeks to identify long term, structural trends that could drive stock performance in a rapidly changing world, according to Florence Pourchet (pictured), head of CIB Latin America and CSR Americas at BNP Paribas.

The French bank has customised the MSCI indexes with a five percent target volatility mechanism that will dynamically adjust the level of equity exposure depending on market volatility in response to 'growing client appetite towards volatility control strategies' and 'Quantitative Investment Strategies in Mexico'.

"We worked closely with Scotiabank to evaluate different risk-return scenarios and find the adequate level of volatility target with the expected returns," Marie-Laure Dang, director, head of pensions and insurance LatAm at BNP Paribas, told SRP.

The structured notes have a three-year investment term and offer leveraged exposure on the performance of the underlyings at maturity. This is the second structured product issued by BNP Paribas that Scotiabank is selling in Mexico and the first offering thematic exposure to current market mega-trends.

According to Dang, Mexico has demonstrated a growing interest in quantitative investment strategies (QIS).

"We believe this trend is rapidly expanding to both institutional and retail investors," she said, adding that Mexico is a very important market for BNP Paribas which received its local banking licence last year.

"We are committed to meeting our clients' complex investment needs amid rapidly changing market trends," said Juan Antonio Carrancedo, VP at Scotia Wealth Management Mexico.

Scotia Bank is also behind another first in Mexico after it launched the first sustainable structured play in Mexico via a proprietary index. The Mexican arm of the Canadian investment bank has rolled out its first MXN-denominated structured note tied to the IndexAmericas, a corporate sustainability index developed by the Inter-American Development Bank (IDB) and commercialised by BNP Paribas.

According to Dang, sustainable thematic investing has been getting increasing traction in the region with investors seeking to gain exposure to ESG via single or multi factor strategies.

"With the evolution of the regulation among ESG investing, we believe the sustainable investment themes will keep growing over the years," she said.

> "We worked closely with Scotiabank to evaluate different risk-return scenarios

New custom microsectors play launches via long/short ETNs

US index provider MerQube has partnered with REX Shares to launch two new MicroSector exchange traded notes (ETNs) that will track the performance of the MerQube's MicroSector U.S. Travel Index.

The two products issued by the Bank of Montreal (BMO), MicroSectors Travel 3X Leveraged ETNs (Ticker: FLYU) and MicroSectors Travel -3X Inverse Leveraged ETNs (Ticker: FLYD) are available for trading on NYSE Arca. Both offer daily resetting +3X leverage & -3X inverse leverage linked to the MerQube MicroSectors U.S. Travel Index.

"The travel and tourism theme has been of great interest to market participants given the current financial climate," Vinit Srivastava (pictured), CEO at MerQube, told SRP. "Investors have been looking for tools to capture their views on the performance of this sector, whether long or short."

According to Srivastava, microsectors is one of a number of few topics that have been at the top of investors' minds lately, including the supply chain, inflation, risk-control and volatility control, mainly driven by the current economic environment.

"We see a lot of interest in option-based and option-embedded strategies that aim to provide risk mitigation and use volatility to provide yield," he said.

The MerQube MicroSectors U.S. Travel Index, launched on 1 November 2021, tracks the performance of large US domiciled and listed companies operating in industries related to travel and tourism. As of today, The Walt Disney Company, Airbnb, Uber Technologies, Carnival Corporation, and Booking.com are the five largest holdings in the index.

Scott Acheychek, president of REX REX Shares, demand for hedging and trading tools based on specific segments of the market, such as U.S. travel equity securities, is strong as sophisticated investors seek to 'access to many of the largest companies operating in travel and tourism, which has become a popular industry to trade due to COVID-19 and the volatility in travel and tourism stocks'.

The MerQube MicroSectors U.S. Travel index is composed of companies in travel or tourism related industries, domiciled in the USA and listed on NYSE, Nasdaq or CBOE, which have traded for three months and have a float market cap of at least US$3 billion.

The index is subject to capping to ensure diversification amongst the stocks. The index is a total return index, calculated daily in USD based on closing prices of each stock. The weighting of each index component is calculated monthly based on the 12-month average daily value traded. Rebalancing is quarterly.

"These products are particularly relevant at a time of high volatility," said Srivastava.

Barclays unveils structured notes rescission offer amounts

Barclays Bank has commenced a rescission offer to eligible purchasers of US$17.6 billion of structured products issued in excess of registered amounts under its US shelf registration statements for a period of 30 US business days. The securities covered by the rescission order consist of 3,015 structured notes worth US$14.8 billion of and 11 exchange-traded notes (ETNs) valued at US$2.8 billion. The indicative market value of each series of structured notes was calculated by Barclays based on its internal pricing models and is expressed as a percentage of the principal amount of the relevant security. 'Such indicative market value is made available to you only as a reference and is not a prediction of the price at which the subject securities may trade in the secondary market, nor will it be the price at which we or our affiliates may buy or sell the subject securities in the secondary market,' stated the bank. The terms of the rescission offer are set in a prospectus supplement filed with the US Securities and Exchange Commission.

Finra fines J.P. Morgan for missing 'red flags' in structured products case

The US regulator's action against J.P. Morgan Securities is the latest case of unsuitable sales of structured products which exceeded the firm's own limits.

The Financial Industry Regulatory Authority (Finra) has fined J.P. Morgan an additional US$200,000 for failing to reasonably supervise a broker with the firm who made unsuitable, unauthorised trades in his grandmother's account.

According to the Finra order, J.P. Morgan Securities has accepted the sanctions – a censure and a US$200,000 fine 'for failing to reasonably investigate and address "red flags" of potential misconduct' in relation to unsuitable investments.

The arbitration case hit the headlines in February 2021 with J.P. Morgan Securities and two of its ex-brokers ordered to pay US$19m in damages to an elderly investor of structured products.

Finra said the enforcement case was triggered after J.P. Morgan 'discharged' in June 2019 the now-barred brokers - Evan Schottenstein and Avi Schottenstein - who made a series of unsuitable trades in the account of his wealthy grandmother - Beverly Schottenstein - and the subsequent U5 filing, a form to terminate the registration of an individual, which detailed concerns about the broker's trading activity.

J.P. Morgan failed to follow up on the misconduct or review issues with the customer directly as required under Finra rules - violating the Finra Rule 3110 governing supervision and "catch-all" Rule 2010, said the regulator.

The bank's system generated alerts when structured products exceeded a 15% threshold for a customer's liquid net worth and a 50% threshold for net-a account equity, and although the broker's supervisor identified the 'large position' in structured products and called the client it failed to take reasonable action against common practice, according to Finra.

The supervisor on this call also 'did not explain to the customer that her account was concentrated in structured notes or ascertain whether she understood the features and risks of structured notes', stated the regulator.

The bank has already paid the US$9m for which it was responsible to the client, while the former broker referred to as 'RR 2', are still contending their joint US$9.8m penalty in the arbitration.

The case was settled without the traditional brokerage unit, now called J.P. Morgan Advisors, admitting or denying the allegations, according to a letter of acceptance, waiver, and consent (AWC) released by the US regulator last week (8 August).

Global Atlantic debuts RILA on UBS prop climate index

The US insurer's first registered index-linked annuity (RILA), ForeStructured Growth, is linked to a variety of indices including the UBS Climate Aware Equity Index, 'a pioneering climate-focused index' in the US RILA market.

The annuity offers growth potential linked to the performance of index crediting strategies, up to a stated maximum, alongside interest crediting strategies designed to limit loss against the first 10% or 20% of potential losses for specified number of years. It was launched on 18 July.

A total of 24 index-linked crediting strategies, as well as a one-year fixed strategy are available. Besides the US equity-focused UBS index, the Fidelity US Corporate Strength Index and the Franklin US Equity Index are also exclusively licensed as part of the strategy indices, which cover the S&P 500 and the Nasdaq 100, according to the KKR-backed insurance firm.

Issued by Forethought Life Insurance Company, a subsidiary of Global Atlantic, the RILA features an adaptive floor, a 'first-in-the-market' index strategy designed to initially limit losses to a maximum of 10% of the allocation with the potential to incrementally lock in growth over time.

Launched in October 2021, the UBS Climate Aware Equity Index is a rules-based strategy that provides investment exposure to the long-term theme of transitioning to a low carbon and climate resilient economy. It comprised 276 companies as of end of 2021.

Using the ESG ratings from Institutional Shareholders Services, the index includes equity securities of large and medium sized US companies while tilting the allocation towards companies that are expected to be successful in a low carbon economy.

Solactive is the index administrator while the Solactive GBS United States Large & Mid Cap Index NTR is the parent index.

Issuers pile up to debut A-share derivative warrants in HK

A total of 33 listed derivative warrants (DWs) on the MSCI China A50 Connect Index went live on 8 August in Hong Kong SAR.

Morgan Stanley, J.P. Morgan, BNP Paribas and Goldman Sachs launched a combined 33 DWs on the MSCI China A50 Connect Index ('A5C') on 3 August, respectively, three trading days from the listing date as required by the Hong Kong Exchanges and Clearings (HKEX).

"The launch of the MSCI China A 50 Connect Index derivative warrants provides investors with alternative access to the A-share market," said Cedric Cheung (pictured), head of listed structured products sales for Asia at J.P. Morgan.

"The broad diversification of the index enables investors to gain potential exposure to A-share markets and a new tool to hedge their investment portfolios."

Since the beginning of the year, stock markets across the globe have been affected by factors such as tightening of monetary policies by central banks, rising inflation and economic recession concerns, according to the US investment bank.

At the same time, China has implemented a prudent monetary policy along with other fiscal policies to stabilize growth in various industry sectors, according to J.P. Morgan, which has delivered the highest net sold notional amount of DWs in the Hong Kong market on a yearly basis since 2013.

"The MSCI China A 50 Connect Index is designed to capture 50 of the largest and most representative China A shares with sector balance," said Zhen Wei, managing director of Apac index solutions research at MSCI.

"Since its launch in August 2021, we have seen more investors utilizing this innovative index tool to help build core exposure to and manage the risk of the China A market," he said.

The A5C DWs are settled in European style cash tracking the MSCI China A 50 Connect (USD) Index Futures Contracts, which went listed on the HKEX in October 2021. They will mature in six to eight months.

At J.P. Morgan, the A5C DWs comprise five calls with strike level ranging from 2,200 to 3,000 and five puts from 1,800 to 2,200. To mature in six to eight months, the structured products provide approximately 4.5x to 6.3x effective gearing and implied volatility from 29.9% to 40.6%.

"The (A5C) products provide another means for investors to access the A-share market, offering diversification benefits and the ability to manage risks in their portfolios," Gary Suen, managing director at Goldman Sachs, told SRP.

The launch comes after HKEX CEO Nicolas Aguzin said in June that the bourse was encouraging investment banks to issue structured products like DWs on the A5C.

The introduction of callable bull/bear certificates (CBBCs) on the A5C index is subject to the performance of A5C DWs, according to a source at a DW issuing bank.

From July, issuers interested in participating began to prepare for listing

First batch of MSCI China A50 Connect DWs in Hong Kong

Issuer	Issuance	Strike levels	Effective gearing*	Implied volatility*
Morgan Stanley Asia Products	10 calls; 10 puts	1,900-2,800	2.54x - 5.43x	29.9% - 40.6%
J.P. Morgan Structured Products B.V.	5 calls; 5 puts	1,800-2,200	4.46x - 6.31x	40% - 41%
Goldman Sachs Structured Products (Asia)	1 call; 1 put	2,000;2,800	7.17x; 6.26x	35.11%; 32.76%
BNP Paribas Issuance B.V.	1 call	2,400	6.31x	29.50%

**This data may fluctuate during the life of the DWs*

Source: HKEX

Cumulative Index Performance - Price Returns (USD) (Nov 2012 - Jul 2022)

ANNUAL PERFORMANCE (%)

Year	MSCI China A 50 Connect	MSCI China A
2021	-1.19	1.76
2020	48.41	40.88
2019	33.26	33.51
2018	-26.83	-31.71
2017	47.71	27.75
2016	-10.18	-17.04
2015	-5.95	2.00
2014	45.00	44.47
2013	-10.36	-5.81

Source: MSCI

documents and get the license from MSCI before setting up a trading desk to price the new product and launching marketing campaigns.

The liquidity of underlier hedging and retail interest are two of the key metrics for a DW issuer when evaluating new products, said the source.

During the past 10 months, the MSCI China A 50 Connect (USD) Index Futures Contracts have been traded "quite actively", according to the source.

"Compared with IPO names, index underliers usually grab less attention from retail investors in the DW market and requires more investor education," said the source, adding that the accessibility of the index data also makes a difference.

The unfamiliarity of the A5C Index for retail investors is a main concern, another source at a bank which is not among the first group of issuers told SRP.

"It'll take a long time to do investor education on the new product," said the source. "No timeline for the launch yet. We prefer to wait to find out the liquidity first."

Being the first listed A-shares structured product in the Hong Kong market, A5C DWs represent a milestone for the risk management hub, according to King Au, executive director at Financial Services Development Council.

"We at the FSDC are very pleased to see that our recommendation to include A-share underlying as eligible structured product back in 2020 is now fully implemented," Au told SRP.

The governmental advisory body in September 2020 released a research report, which proposes expanding the variety of financial products available by introducing listed structured products linked to Stock Connect A-Share or A-Share based indices in Hong Kong SAR.

Launched on 20 August 2021, the A5C Index is derived from the MSCI China A Index, which captures large and mid-cap China A shares listed on the Shanghai and Shenzhen exchanges and accessible through the Northbound Stock Connect channel. Tracking the 50 largest securities in the parent index, the A5C index features sectors of consumer staples (16.82%), financials (16.64%), industrials (16.64%), information technology (13.74%) and materials (11.11%) as at 31 July.

There're currently 12 more issuers of HKEX listed structured products following the onboard of DBS Bank in September 2021, comprising Société Générale, UBS, Credit Suisse, Citi, HSBC, Vontobel, Macquire, Bank of China International, Haitong International, Guotai Junan and Bank of East Asia.

China's CITIC Securities and Huatai Securities are expected to enter the market this year, as SRP reported.

"

The broad diversification of the index enables investors to gain potential exposure to A-share markets

Exclusive: BNPP appoints Apac head of global equities structuring

The newly-created role will oversee the entire structuring team in Apac under the global equities segment, which has been set up to integrate cash equities, prime services and equity derivatives.

Etienne Grisey (pictured), managing director and head of equity derivatives structuring, Asia Pacific at BNP Paribas, has relocated to Singapore from Hong Kong SAR to take the new position. In his new role as head of global equities structuring, Apac, he will have an expanded set of responsibilities within the global markets at BNP Paribas Corporate and Institutional Banking (CIB), according to a spokesperson from the bank.

According to the Monetary Authority of Singapore, Grisey's representative licences went effective from 12 July 2022 with a provisional status, which indicates that an experienced individual relocating to Singapore from overseas who is given a grace period of three months to meet the relevant examination requirements.

The French bank's global equities Apac division houses three key businesses - cash equities, prime services and equity derivatives as a streamlined set up to optimally serve clients in the region and globally, said the spokesperson.

Grisey will oversee all structuring teams under the global equities segment in Apac and "play an important role in the build out of an equity powerhouse in Asia at BNP Paribas".

He reports to Vincent Desmarest whose role as Apac head of global equities has also been expanded since May. Prior to the promotion, Desmarest was Apac head of equity derivatives, global markets. Desmarest continues to be based in Hong Kong SAR.

Having spent nearly 21 years at BNP Paribas, Grisey started as an equity derivatives quant researcher in Sydney in 2002 then moved to New York City tasked as an equity derivatives trader for Latin America. He relocated to Tokyo in 2007 with a focus on equity derivatives structuring for the Japanese market before spending 13 years in Hong Kong SAR where he was promoted to Apac head of equity derivatives structuring.

Desmarest has also served the French bank for over two decades having joined as an index exotic options trader for Emea in Paris in 2001. He worked in Tokyo from 2006 to 2008, during which he led the equity options trading team for Japan, before he moved to Hong Kong SAR holding various positions including Apac head of structured equity trading and Apac head of equity derivatives trading.

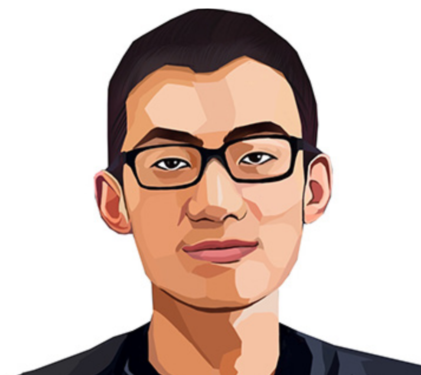
The new set-up came as BNP Paribas' global markets division posted 'strong increase in revenues' in the second quarter of 2022 driven by both FICC (fixed income, currencies & commodities) and equity & prime services. The bank's revenues increased by 15.3% to €2.2 billion in the quarter year-on-year, 60% of which came from FICC while the remaining from equity & prime services on the back of 'very good level of activity, particularly in equity derivatives'.

There are 1,432 live structured products issued by BNP Paribas in Asia, according to SRP data - Taiwan (752), Japan (156) and Hong Kong SAR (542) across cover notes, Uridashi, derivative warrants and callable bull/bear certificates.

"Grisey started as an equity derivatives quant researcher in Sydney in 2002

Bybit: investors are shifting to USD-pegged stablecoins'

The cryptocurrency platform which relocated from Singapore to Dubai earlier this year has launched its first structured products with an exotic payoff.



Bybit has shortened the duration of two maiden shark fin products in USD Coin (USDC) to three days following a postponed launch.

Linked to BTC/USD, the principal-protected offerings are the first structured investment product embedded with exotic options available at Bybit, which was founded in 2018.

The bullish and bearish strategy generated 122,090 USDC and 173,382 USDC from retail investors during the one-day subscription period with a minimum ticket of 100 USDC, respectively.

The platform, which features an Asian focus, has approximately five million registered users providing spot trading of around 100 assets. Bybit Shark Fin is the latest addition to Bybit's structured product line-up, which includes Dual Assets, or known as dual currency products.

"[It's] a product that gives investors the opportunity to earn higher returns in low-volatility markets," Bill Xing (pictured), head of financial products at Bybit, told SRP.

With an initial launch date of 5 August, the products were issued today (9 August) with a shortened investment period from seven to three days - the initial subscription was open for several hours.

"Launch dates may be subject to changes depending on user sentiment, market conditions and other factors," said Xing. "We would consider shortening the three-day tenor if we see interest from our users and market demand."

According to Xing, the shark fin series are designed with maximum flexibility catering to deposit clients and are set to be rolled out on a weekly basis with an investment period of seven, 14 or 21 days.

The underlying strategy utilises up-and-out call options to generate the yield, which is deployed on Bybit's USDC-settled options trading platform rolled out in April 2022.

"Since the market is rapidly changing and our users often require a high degree of flexibility, we are now focusing on offering shorter timeframes," said Xing.

A custodian is involved in the trades, according to Xing. He did not disclose the name as well as the issuer.

In terms of annualised return, the bullish and bearish tranches offer a maximum return of 20.38% and 24.05%, respectively, with the minimum set at one percent. Their price range will be determined based on the underlying performance at 8AM UTC each day.

"We have witnessed a shift in investor sentiment and risk appetite in the current market in contrast with last year's bull run. While some analysts are seeing a pivot to recovery, the market remains quite turbulent with uncertainty ahead," he said.

As a result, a number of cryptocurrency investors have chosen to exit their positions and hold USD-pegged stablecoins. "Shark Fin is one of several low-risk products intended to help users earn passive income on their stablecoins despite market conditions. With this principal-protected product, investors can recalibrate their portfolios easily," said Xing.

With two more shark fin tranches to open for subscription on 11 August, the crypto exchange plans to expand its range of products with structures linked to the performance of Ethereum or Solana in the future.

BTC/USD performance

Source: Yahoo Finance

Sygnum yield AMC survives in crypto bear market

The Sygnum Yield Core AMC, launched on 1 June after a two-month delay, has delivered a net monthly return of 0.2% despite a prolonged decline in crypto values

With assets under management (AuM) of around US$22m, the actively managed certificate (AMC) aims to generate returns from various sources of yield available in the crypto market while controlling technology and platform risk through a non-directly and low volatility strategy.

"The product combines Sygnum's expertise in assessing underlying fund managers and yield generation strategies in a 'multi-manager' approach, and targets a net return of 10% to 12% pa with expected volatility lower than five percent and monthly drawdown of less than one percent," ANG Ziqing (pictured), vice president, business development told SRP.

There are currently a single-digital number of funds in the AMC where each manager can deploy more than one strategy, Ang added without disclosing the underlier names.

Issued by Guernsey-domiciled DLT1 PCC Ltd, Sygnum Bank AG is the strategy manager and custodian with ISP Securities in Zurich acting as the paying agent. The USD-denominated structured product has a one percent management fee and 10% performance fee with a minimum investment of 10 shares.

The issue price per AMC was US$1,000 upon launch. The structured product provides a monthly liquidity with no lockups given a 35-day notice period.

"The performance of the AMC has been well-received by investors who wish to incorporate digital assets into their portfolios while mitigating the volatility and uncertainty facing the asset class," she said.

As of 30 June, the fund of funds structure posted a portfolio breakdown of lending (45%), cash (29%), liquidity provisioning (15%) and staking (11%). It posted a Sharpe Ratio of 5.5.

"The Yield AMC complements Sygnum's existing suite of solutions by providing clients with a product designed for income generation with low exposure to directional movements to the broader crypto market," said Ang.

Monthly performance in USD, since 01/01/2020

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	0.1%	0.6%	1.4%	0.6%	1.6%	0.2							4.4%
2021	2.2%	0.8%	2.4%	2.2%	1.8%	0.6%	0.5%	0.6%	0.0%	1.8%	1.8%	0.6%	15.7%
2020	1.0%	1.1%	0.4%	0.4%	1.4%	1.0%	0.4%	1.2%	0.7%	0.4%	1.7%	1.1%	11.8%

Source: Sygnum

The suite comprises passive index-tracking products for directional megatrend participation including the Sygnum Platform Winners Index ETP, actively managed funds for diversified alpha generation like the Sygnum Digital Asset Multi-Manager Fund, as well as venture capital via the Digital Asset Opportunities Fund.

Founded in 2019, the digital assets-focused financial institution is also exploring strategies including sector indices and a new venture capital fund.

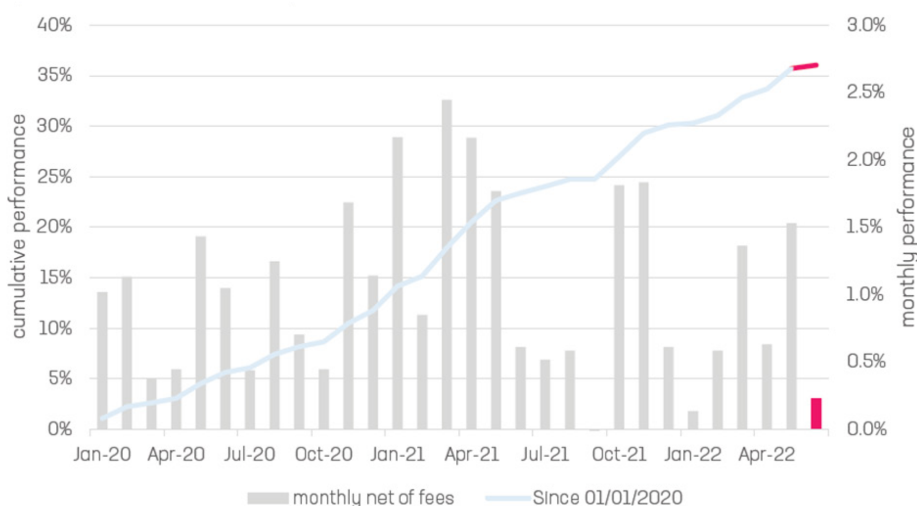
BEAR MARKET

'June was arguably the worst month for crypto yield strategies ever, following on from a difficult May marred by the collapse of the TerraUSD stablecoin,' stated Sygnum in its monthly update for the Yield Core AMC.

A prolonged crypto bear market and the failure of a very large crypto hedge fund triggered a cascade of failures of centralised lenders who either mismatched duration or liquidity, were overleveraged or lent to each other without sufficient collateral, according to the asset manager headquartered in both Switzerland and Singapore.

At Sygnum, approximately 15% of its total 1,200 clients are based in Asia where "several seven-digit tickets" have been collected out of Singapore – the sole Asian office currently hosts 31 staff. Of a total assets under administration (AuA) of CHF2 billion, around CHF100m comes from the in-house products and services while the remaining are assets under custody.

Cumulative performance in USD, net of fees, since 01/01/2020



Source: Sygnum

'We are pleased to report that our yield AMC generated a positive return in June,' the report wrote. 'None of our managers were exposed to any of the entities that experienced liquidity or solvency problems.'

The return opportunities were limited in June due to the severe drop in volumes on decentralised finance platforms as demand declined and total value locked dropped to a third of its level two months ago, said Sygnum, adding that the cost of risk management has also increased.

LAUNCH DELAY

Following the rollout of the Defi+ Core Index AMC in December 2021, Sygnum announced the launch of the Yield Core AMC on 12 April, its second AMC offering. However, the launch was pushed back to 1 June.

"After constructing the yield AMC portfolio, one of the underlying funds had a change in its investment profile – in accordance with our risk management procedures and risk appetite for the Yield AMC strategy, our investment committee decided not to include this fund and to instead proceed with another target fund in our portfolio," Ang explained.

The last-minute change did not bring a change to the AMC's investment strategy or outcome while the target net yield, volatility and expected monthly drawdown remained the same.

Portfolio diversification and the addition of new managers was already part of the active management of the AMC prior to the change in allocation.

"We expect to continue adding new managers and to rebalance underlying investments going forward as and when we find better opportunities or when our outlook for an underlying strategy manager changes," she said.

DISCRETIONARY

The Yield Core AMC can well fit into discretionary mandates as it enables managers to quickly integrate a diversified portfolio of yield-generating strategies without having to directly manage the complexities of DeFi investments and working with various counterparties, according to Joshua Choo, senior vice president, discretionary investment mandates at Sygnum.

"Secondly, the AMC subscribes to the institutional share class of each of the underlying funds. This enables discretionary managers who incorporate the Yield AMC to build exposure through these preferred share classes which clients may not otherwise get should they invest directly," Choo told SRP.

He noted that the subscriptions can be offered in smaller units than direct subscriptions to its underlying funds. This provides managers with greater flexibility to allocate more precise exposures to yield-generating components of a clients' portfolio.

In Asia, the AMC market has been growing over the past five years in general, driven by European investment banks, particularly in Switzerland.

However, AMCs remain an uncommon choice for many investors including family offices and external asset managers in the region.

"The main challenge we've faced in promoting AMCs in Asia would be the unfamiliarity of the structure as investors are more familiar with exchange-traded funds [ETFs], exchange-traded products [ETPs] and funds," said Choo.

This unfamiliarity has brought several questions including the subscription process.

"In fact, AMC structures share similarities with existing structures like ETPs and ETFs especially with regards to ease of access. For instance, they have ISIN numbers for ease of subscription," he said.

Ang recalled that a frequent question about the Yield Core AMC from investors is how the product has low volatility despite the inherent volatility of digital assets.

"This has been achieved because we screen for funds that deploy yield-generating strategies with lower exposure to directional movements in the market," she said. "We also screen for funds that deploy hedging strategies or have insurance for various risk scenarios. As such, directional movements in the broader crypto market have had limited impact on the returns on the AMC."

BNP Paribas: conditions are supportive for a shift in the product mix

In the first of a two-part interview, Renaud Meary, global head of equity derivatives at BNP Paribas, talks about the new divisional set up, last year's activities and the market shift towards products with shorter investment terms.

> "The evolution of the EQD franchise was very timely

BNP Paribas has reorganized the set-up of its global markets with the creation in February of a Global Equities business line which houses equity derivatives, prime services, and cash equity.

The division is led by Nicolas Marque who stepped up from equity derivatives to global equities to run the three teams - cash equity under the BNP Paribas Exane brand which offers research and an execution platform with full electronic trading capabilities to institutional investors led by Ben Spruntulis; prime services which now includes the prime brokerage business from Deutsche Bank and is headed by Ashley Wilson, and the equity derivatives business which is now managed by Meary (pictured) who took over the previous responsibilities of Nicolas Marque.

The divisional changes came after a very strong year for the industry as the market environment was very supportive for most of the year after the difficulties of 2020, according to Meary.

"For BNP Paribas and our equity derivatives franchise it was a record year, with strong performance across the exotics, flow and corporate derivatives segments," he said. "In terms of risk management of our trading books, we benefited from the adjustments and changes implemented in 2020."

The bank improved its models and implemented a different macro hedging strategy which impacted positively the trading side of the business.

"We are also very active in recycling our most illiquid risks in the market, which is helping a lot in the management of our exotics book," said Meary.

On the commercial side, sales remained very solid in 2021, in particular on the structured products side driven by investors' strong appetite for US tech stocks in the Americas but also across Asia and Japan markets.

"The autocall 'virtuous circle' remained in full motion throughout 2021," said Meary.

"It is less so the case this year, notably in Apac where the severe correction of the tech sector and the absence of

dynamics for local markets did cool down the demand. In Europe however, demand remained solid YTD in most markets, with a more diversified product mix as interest rates are back on the rise and the macro context is evolving."

REPOSITIONING

For years, the bank's equity derivatives franchise mostly relied on its "two big strengths": structured products and Delta 1 (dividend, repo etc…), but "the 'wake-up call' of 2020 forced us, as well as some other issuers to review our business model," said Meary.

"We shifted our strategy to focus on the flow side of the business while de-risking the distribution side of its offering, through the risk management and risk recycling actions, and through a diversification of our offer in that space," he said. "In order to foster this new ambition on the flow side, we have invested in capabilities and talent including a number of high-profile hires last year to boost our flow trading set-up.

"The evolution of the equity derivatives franchise was very timely in the context of the building of a global equities platform."

According to Meary, the integration of DB's prime brokerage business and of Exane cash equity business brought the missing pieces of the puzzle," solving the equation for our flow and corporate derivatives businesses".

"This supports our ambition to become by 2025 the leading European house in equity derivatives," he said.

RISK MANAGEMENT

The market crash of 2020 made the management of large exotic books very difficult as the heavy deformations of positions, combined with the lack of liquidity in some parameters, led the largest players in that field, including BNP Paribas, to consider differently the longer-term part of the business.

"We became more conservative vis a vis autocall products beyond five-year maturity, particularly on single stock underlyings where liquidity is lower," said Meary. "And the market heavy shift towards synthetic dividend strategies can be seen as an alternative to this less active single stock business.
On average, these products allow to reconcile in a more balanced way the level of risk for investors and for issuers."

In an environment of low or even negative interest rates, and rising equity markets autocall products continue to look like the perfect fit for investors from a risk return perspective.

During 2021 the proportion of autocalls missing their knockout triggers remained very low, so there was no shift towards other structures.

"The autocall remained the darling of the market and the main contributor to issuance and sales," said Meary.

"Since the beginning of 2022, we are starting to see diversification coming back because the macro environment is changing. We see a growing appetite for other asset classes, be it credit, rates, and commodities, and rising rates push capital guaranteed products back in fashion."

Conditions are much more supportive for a shift in the product mix now and investors are starting to realise and seeking to capitalise on the market direction, according to Meary.

"For the past three months we have seen a clear acceleration within the equity world, with investors looking for products that can optimise entry points and play on the market rebound," he said.

"When markets go through corrections of between 15% and 25% the autocall might not be the most suitable product to play. In this kind of environment investors might be better off with products where the upside potential is definitely stronger as the market rebounds over the next two years."

BNP Paribas received several European awards in this year's SRP European Conference including Best distributor, Europe; Best distributor, Yield enhancement; Best House, Eastern Europe; Best Private Bank; and Best distributor - Poland: BNP Paribas Bank Polska

> **"Since the beginning of 2022, we are starting to see diversification coming back**

CICC WM: demand for domestic underlyings consistent with onshore market growth

The Chinese wealth manager is capitalizing on demand from structured products investors confident in the long-term growth of the China market.

> **Many of our China-focused clients are confident in the long-term growth of the China market**

The Hong Kong arm of CICC Wealth Management has seen a 50% year-on-year increase in structured notes trading with notional standing at around US$600m in the first half of 2022.

The traded notional of OTC derivatives increased 16.7% to US$700m from January to June compared with the prior-year period at the subsidiary of state-owned investment bank China International Capital Corporation (CICC).

"Investors have been more sophisticated and have made good use of the snowball structure as a yield enhancement tool to capture opportunities in the volatile market since 2020," Andy Shek (pictured), head of OTC trading desk, wealth management at CICC (HK) told SRP. "Rising demand is seen particularly in CSI 500 Index snowball with a tenor of one to two years in Hong Kong, which is consistent with the growth of onshore market."

Snowball, which is a type of autocallable payoff betting on market volatility and typically offering attractive periodic coupons, continues to gain traction among yield-hungry investors at CICC Wealth Management, according to Shek. In Mainland China, the assets under management (AuM) of snowball products is estimated to be above CNY100 billion.

Approximately CNH743m worth of snowball notes were traded at CICC Wealth Management in Hong Kong SAR in the first half of 2022, according to Shek.

"There are inevitably some snowball structures knock-in (KI) coming along this year alongside with the market decline in April. However, the sentiment remains strong on our side," said Shek. "Many of our China-focused clients are confident in the long-term growth of the China market and see the product as an opportunity to capture higher yield during the recent market correction."

At CICC Wealth Management, clients who own financial assets greater than HKD8m equivalent qualify as high-net-worth individuals in Hong Kong SAR. With a global footprint, the firm's HNWI and institutional client group features Chinese investors living overseas. Besides snowball, the wealth manager offers over-the-counter (OTC) options and warrants, fixed coupon notes (FCNs), phoenix and airbag structures within its open architecture platform.

The offshore arm of CICC Wealth

Management currently partners with 13 issuers comprising CLSA, Huatai Securities, Guotai Junan, Goldman Sachs, Morgan Stanley, J.P. Morgan, BNP Paribas, Société Générale, UBS, Credit Suisse, Nomura and Barclays in addition to CICC.

The parent company, CICC, is a major manufacturer in A-shares equity derivatives in China, which chalks up approximately 60% of the traded notional of derivatives as a counterparty at CICC Wealth Management in Hong Kong SAR.

"In the past five years, we have put a strong focus to build up cross-border trading capabilities to connect international investors to the China market," he said, adding that the cross-border trading desk and a sizable onshore trade book enables the wealth managers to offer A-shares derivatives and structured notes that cannot yet be found in regular bulge bracket banks.

TECHNOLOGY

In addition, CICC Wealth Management has joined a Hong Kong-based structured product multi-issuer platform targeting wealth managers and external asset managers (EAMs), according to Shek.

The Beijing-headquartered distributor is also exploring "the necessity and feasibility" to enhance the technology used for structured products in-house.

"We believe each product should be tailored to each client's investment view, and technology is the key to the transformation of structured product advisory service," he said. "That's why we have made use of the latest structured product technological platform to provide onsite real-time one-to-one quoting services."

The wealth manager has traded derivatives, warrants and structured notes on a series of QIS indices launched by several major investment banks, holding a view that QIS can still capture alpha across asset classes in the long run. The best-selling QIS index has delivered a traded notional of US$300m year-to-date, said Shek without specifying the index name.

"QIS (quantitative investment strategies) is another new trend we've seen this year," said Shek. "The up-pick in long-term interest rate has provided a golden opportunity to invest in the volatility-capped QIS Index with a call option embedded in principle protected notes."

In addition, CICC Asset Management has introduced to the Chinese market the Global Nowcasting Asset Rotation Pro Index ('NOARPRO') (中金海外大类资产成长轮动组合多策略版), an offshore multi-asset allocation index. This QIS index was tracked by bond-linked notes with a total notional of US$2m launched in the first quarter of 2022 at CICC Wealth Management.

Unlike China where it is common to find hedge funds that heavily invest in structured notes, Hong Kong has recently seen a growing number of such funds setting up similar business offshore in the form of EAMs and SFC registered funds, according to Shek.

"We're now monitoring the trend and doing research to ensure we're able to offer such product to our clients when there's a demand," he said.

DERIVATIVES

OTC call options on A-share single stocks is another highlight, which account for nearly half of the CNH40m average daily trading flow year-to-date, according to Shek.

"Many clients see the OTC call option as an alternative way of investing into China equity market," he said. "The product's long position provides a potential gain from the upside performance of the underlying asset and limits the loss to the premium on the downside. Demand is particularly evident among new-comers to the A-shares equity derivatives market."

The outbreak of Covid-19 and US-China sanctions have added uncertainties and volatility to the equity market since 2020 which has resulted on a number of investors gradually shifting away from classical cash equity long-only plays as the risk-reward is no longer favourable.

"Investors are still bullish in the long run as equity market retracement provides opportunities for entry points, but at the same time, they are looking for downside protection or limited loss in the equity payoff structure," said Shek. "This is one of the reasons why OTC call option demand remains robust even during the Covid-19 period."

Investors have made good use of the snowball structure as a yield enhancement tool to capture opportunities in the volatile market since 2020

FEATURE

Eusipa warns of Europe's retail investment strategy, open interest climbs to €300bn

The European structured products association has reported €313 billion open interest and turnover rising across reporting markets.

> We may end up with a piecemeal approach

Turnover in investment and leverage products on reporting European financial markets was up 14% quarter on quarter and four percent year on year in the first quarter of 2022, bringing the total to E€45 billion, according to the European Structured Investment Products Association (Eusipa).

First-quarter turnover in investment products on European trading venues amounted to €13 billion, 30% of total traded volume. Investment product turnover decreased by seven percent quarter on quarter and by 25% compared with Q1 2021.

Turnover in leverage products including warrants, knock-out warrants, and constant leverage certificates reached €31 billion in the period from January to March, representing 70% of total turnover. In addition, turnover in leverage products increased by 25% year on year and by 26% from Q4 2021.

At the end of March, the market volume of investment products stood at €300 billion – a stable figure quarter on quarter and up six percent year on year. The outstanding volume of leverage products totalled EUR 12 billion at the end of March. This represents a 17% increase on a year-on-year basis.

"That milestone is testament to investor confidence and recognition for the people who have worked so hard to make the sector investor friendly in sometimes difficult conditions," Thomas Wulf (pictured), secretary general at Eusipa, told SRP.

"But I think the most important thing is what we can expect in our immediate future given recent macroeconomic shifts. The economic environment clearly creates challenges in other areas of the economy, but it benefits structured products in terms of both demand and structuring opportunities."

According to Wulf, inflation pressure means investors got to get out of cash while almost sideways-moving stock markets is triggering a shift away from delta one products which are in direct competition with ETFs, and towards a focus on yield enhancement.

"Rising interest rates also mean more favourable zero-coupon bond pricing, which brings the possibility of greater participation in the underlying asset's evolution, especially for a fully capital protected product," he said. "This is a mix makes that makes our product landscape really attractive. I think that's

going to be the story for the months and maybe even years ahead."

At the end of March, trading venues located in reporting EUSIPA markets were offering 406,794 investment products and 1,514,788 leverage products. As such, the number of listed products increased by 7 percent on a quarterly basis and by 9 percent on the previous year.

Banks issued 1,862,048 new investment and leverage products in the first quarter of 2022, up 37% on the previous quarter and up 35% annually. In total, 157,478 new investment products were launched, accounting for eight percent of new issues; the 1,704,570 new leverage products represent 92% of the total. There were five percent more investment products launched than in the same quarter of 2021. On the leverage products side, issuance increased by 36% from Q4 2021 and by 39% on an annual basis.

For Austria, Belgium, Germany and Switzerland, the market volume of investment and leverage products issued as securities decreased by 1 billion compared to the last quarter to a total amount of €313 billion but increased by seven percent year on year.

INDUSTRY AGENDA

Following the European Commission statement on the application date of new Priips rules yesterday, Wulf noted that a key element on the association's agenda is ESG.

"There are two levels of discussion as far as ESG products are concerned," said Wulf.

One is the question of taxonomy and how product providers "establish the ESG credentials of a product when looking at the many evaluation parameters, often with a national slant, such as exclusion thresholds, permissible sectors and so on".

The other, and the one currently under discussion at the Eusipa level, is how methodologically product providers can assess a structured product and its components from an ESG perspective.

"Where you look, and what you look at," Wulf said. "This is an evolving debate, which requires a lot of fundamental insight into how balance sheets and specific components, such as derivates for hedging purposes, can contribute to ESG targets. We're working at high speed on this issue and will be giving guidance to our members in the coming weeks."

RETAIL INVESTMENT STRATEGY

According to Wulf, the ESG question is somewhat linked to the other big regulatory item on Europe's roadmap - the EC's forthcoming Retail Investment Strategy review, which is aimed at harmonising consumer protection across asset classes and wrappers.

"The structured products industry will have to respond to the commission's first announcements on the review as early as October, though more likely towards the end of the year or January," said Wulf.

"The question for us will be how far the review goes in recalibrating the system. We know they are looking at Mifid again, and the Insurance Distribution Directive (IDD), and probably will be taking Priips to the next level, with all the opportunities and challenges that brings."

Eusipa knows the EC plan to introduce a new type of customer segment, the semi-professional investor, and probably will introduce new approaches such as the concept of 'value for money', and also expects it will hopefully fix the issues "they've struggled to resolve so far, such as harmonising Mifid and Priips costs".

"In terms of harmonisation you can imagine everything or nothing at this stage – it's a black box," said Wulf. "Ideally, the outcome will be driven by an overarching vision. It will be a roadmap towards a more consolidated piece of framework legislation for retail financial services, with the same set of rules for insurance or banking products or securitised notes, and the same level of investor protection."

The danger, according to Wulf, is that the vision may get lost in the execution.

"We may end up with a piecemeal approach, with provision taken from one area of law and applied where it may or may not fit. We hope of course for the former," he said.

"The economic environment clearly creates challenges, but it benefits structured products

Morningstar: structured products are a fundamental part of our global growth strategy

The US index provider is expanding its footprint in the retail structured products market as part of its global growth strategy to build and expand its channels of distribution.

> **Decrement and target vol have become mainstream**

Morningstar Indexes has increased its profile in the structured products market over the last few months with a number of high profile retail transactions in different geographies including the recent launch the Morningstar Developed Europe Renewable Energy Select 30 Decrement 5% EUR Index in the Nordics and the Morningstar Exponential Technologies ESG Screened Target Volatility 7% Select Index, in China and Malaysia, in May and June, respectively.

SRP spoke to Julien Thibaud (pictured), director, global team lead banks, Morningstar Indexes, about the index provider's roadmap, how custom indices can help to have an edge in the market and the company's plans in the structured products market.

How would you rate the performance of Morningstar Indexes over the last few months?

Morningstar's index business is one of the fastest growing business areas at Morningstar and Morningstar Indexes is one of the fastest growing global index providers. In fact, according to Burton Taylor's most recent report on Index Industry Global Share & Segment Sizing, Morningstar Indexes had the sharpest revenue growth industry in 2021 (58% year-over-year) and the highest five-year CAGR in the industry at 56%.

This growth is being driven by a focused investment in the business and by tapping into the broader strengths of Morningstar to bring new index IP to the market. We have been designing index solutions for twenty years, but what makes us truly unique has been nearly four decades in the making. Our indexes draw on Morningstar's most powerful research and ratings systems, including world-class intelligence from Morningstar Sustainalytics and PitchBook, as well as Morningstar Equity Research, to deliver innovative, IP-driven solutions.

From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, we span a wide range of global capabilities and client sets.

Morningstar Indexes has increased its profile in the structured products market as of recently. How important is this market in your future plans?

A fundamental pillar of Morningstar Indexes global growth

strategy is to build and expand our channels of distribution so that our index methodologies can be used for an even wider range of investor use cases. Building index solutions for the structured products community came as a natural progression.

We see this market, in particular, as one in which clients can benefit from new, unique and innovative investment themes. Given the current state of the global markets, structured product investors are looking for non-linear strategies and protective features such as barriers and capital protection. They are also looking for new, unique and innovative investment themes that can be expressed through a rules-based, transparent index methodology. This is where our customer-focused and innovative index development approach comes into play.

What would you say is your edge /differentiator in a market dominated by the big index providers?

In a word, intellectual property. In an industry dominated by a handful of very large providers and where parity can often occur between index providers and methodologies, Morningstar Indexes brings unique capabilities to the table that set it apart from major competitors.

There are several examples where we bring a differentiated product to market that is uniquely Morningstar. For our thematic indexes, we combine the best fundamental ideas from Morningstar's extensive Equity Research team into our rules-based, transparent index methodologies. For our expanding suite of ESG indexes, we tap into the industry-leading risk ratings of Sustainalytics. Our US equity style indexes are based on the iconic Morningstar Style Box methodology. The list goes on.

As we invest more resources in our global business and get out to share our story with major providers, we are very encouraged by the response. Custom indexes are increasing their weight in the market. Is this an area of interest? Are you focusing on decrement, risk control, smart beta...?

Index customization for the structuring space is a given in the current market environment. Our bank partners face challenges mainly around derivatives pricing, tradability, and the investment goal they are trying to achieve. This can be partially addressed within the index design. Therefore, we work closely with our partners to find a balance that provides investor friendly pricing and index purity.

Decrements and target volatility mechanisms have become mainstream, and their use is dictated by the type of payoffs offered to investors. At Morningstar Indexes, we adopt a building blocks approach, meaning we can combine datasets, add index overlays and create indexes to meet very specific client needs.

How are the rapidly changing needs of clients, regulators and the financial industry generally being met from index providers?

In the last few years, we have seen a significant fragmentation of the offering when it comes to structured products and related indexes. Evolving local regulations, regional standards, and growing client interest in ESG investment approaches have been key drivers.

Index creation turnaround times have also been reduced, all combining to test index providers' flexibility and speed-to-market. We believe our innovative approach to index product design along with our high-touch and flexible approach to working with clients is an advantage in the structured products market, particularly in the current environment.

What are your short-term aspirations/goals?

Our short-term goals, to be honest, are quite consistent with our long-term goals. If we achieve one, we are certain we will achieve the other. Our goal is to grow our business and our client base over time by offering robust, differentiated and cost-effective index solutions to our partners.

We're growing our footprint not only in Europe but also globally so that we can be close to our clients and tightly connected to the global markets. The adoption of Morningstar Indexes has been very well perceived by our clients so far, and we're looking forward to our upcoming launches and further expansion of our business.

A fundamental pillar is to build and expand our channels of distribution so that our index methodologies can be used for an even wider range of investor use cases

Marex: capitalising on hedging, arbitrage opportunities

The issuer's Bitcoin Cash & Carry Certificate was recognised as the most innovative product in this year's SRP Europe awards.

> **There are a lot of institutional players looking for access to cryptocurrencies**

The UK based non-banking issuer of structured products had a stellar 2021 with several market firsts including the first Barrier Reverse Convertible in bitcoin in January, the first to quote in ethereum and the first - and so far, only - issuer to provide a cash & carry note linked to bitcoin and ethereum.

Marex launched its Bitcoin Cash & Carry Certificate in May 2021. This structured certificate allowed investors to capture the price difference between the spot and future price of bitcoin, whilst not taking any directional risk, creating a high fixed rate capital protected return.

"Investors were able to participate in an arbitrage opportunity, that can be purchased through any private bank," said Nilesh Jethwa (pictured), chief executive of Marex Solutions which houses Marex Financial Products and Marex Hedging Solutions. "An opportunity for professional investors that would have previously only been available to the most sophisticated investors with access to both a crypto wallet and futures."

The certificate delivered investors an annual yield of 8% pa. in USD after four months. The initial size of US$50m was sold out within the first day and redeemed at 100% coupon in September.

"On all subsequent tranches issued, market conditions permitting, demand far outstripped supply and have now been redeemed at 100% + coupon," said Jethwa.

GOING BACK

Back in 2018, Marex was the first issuer of a structured product traded on a public blockchain (ethereum) and in 2021, crypto was added as a new asset class with exposures tailored according to investor preferences. The new manufactured derivatives were in note form – including the first autocallable linked to bitcoin and extended their offering throughout the year to include other cryptocurrencies.

"We relish having achieved several market firsts including a barrier reverse convertible in bitcoin, a quote in ethereum, and so far, being the only issuer to provide cash & carry notes on both bitcoin and ethereum" said Jethwa.

Marex Solutions can access and trade more than 100 different cryptocurrencies to deliver exotic derivatives to their clients after the launch of a recent partnership with Coinbase, their main custodian and liquidity provider for crypto.

"We are also active in the OTC space, providing investment

or hedging solutions to clients holding crypto or will get to get exposure on that new asset class. For example, miners who need to hedge their bitcoin production" added Joost Burgerhout, head of Marex Financial Products.

INVESTORS

According to Jethwa, the opportunity in crypto remains in the institutional market "which continues to be underserved".

"There are a lot of institutional players looking for access to cryptocurrencies and we believe it is attractive for them to face an investment grade, UK regulated experienced derivatives player," he said.

Marex recently executed the first over-the-counter (OTC) non-deliverable forward (NDF) crypto trade on ether (ETH) with Goldman Sachs as counterparty.

As a non-deliverable forward (NDF), the trade is purchased in cash, and on settlement, the option-holder is given the cash value rather than receiving Ether. This allows the holder to have the exposure without having to hold the digital currency. This OTC trade is executed directly between the counterparties without using a centralised exchange. It is a straightforward way to gain exposure to crypto without exchanging or having to hold the actual coin.

"We are now offering institutional clients several ground-breaking customised OTC and structured note crypto products," he said. "This leverages off our existing capabilities to manufacture customised derivatives. The trade with Goldman Sachs highlights the gap we can bridge between traditional finance and the digital asset community."

With a high volatility in the markets, investors are more cautious, according to Burgerhout. "We offer however investment solutions to our clients that are ideal for this market condition," he said. "Clients can capitalise on high volatility, lower entry levels combined with an attractive downside protection, especially for investors that expected the market not to fall any further and move sideways. This can generate high returns."

The firm is now working on reverse repo trades on crypto and are active on the lending market.

"We are actively working on rolling out our first product, paying a fixed yield generated by providing capital to decentralised protocols," he said.

"With the market now moving from single crypto structures to baskets, we are also growing and diversifying our offering," said Burgerhout. "There is potential to do "worst of" and baskets as well as deploying the AMC structure to have an actively managed approach with fully dynamic baskets that can be rebalanced at the frequency that the basket advisor wants. We want to be the first regulated rated issuer to be able to offer this kind of product.

Marex Financial Products is a specialist team of Marex Solutions, Marex's hedging and investment solutions arm, and a quickly growing specialist producer of tailor-made cross-asset investment solutions. Structured Products are distributed to customers via AGILE, a technology that radically improves their customisation giving them access to virtually any underlying.

The team offers competitive pricing backed by the Investment Grade BBB rating of a global group (Source: S&P Global) and a CET1 Ratio of 17.48% (Source: Marex Financial, December 2021). Since its launch in 2019, the team has issued more than 5,000 products and traded over $4bn notional.

OTHER DEVELOPMENTS

Our launch in Italy was a strategic step for us as we looked for new opportunities beyond the private placement world. One of the main constraints in the Italian listed market is the 10-day timeframe from issuance to listing, limiting investors wanting to capitalise on market opportunities. Our competitive edge is our ability to list investment certificates in two business days. Switzerland is also a market we will be keeping a close eye on as it is the main market for structured products in Europe."

About Marex

Marex is a diversified global financial services platform, providing essential liquidity, market access and infrastructure services to clients in the energy, commodities and financial markets. The Group provides comprehensive breadth and depth of coverage across five core services: Market Making, Execution and Clearing, Hedging and Investment Solutions, Price Discovery and Data & Advisory. It has a leading franchise in many major metals, energy and agricultural products, executing around 38 million trades and clearing over 193 million contracts in 2021. The Group provides access to the world's major commodity markets, covering a broad range of clients that include some of the largest commodity producers, consumers and traders, banks, hedge funds and asset managers.

Marex was established in 2005 but through its subsidiaries can trace its roots in the commodity markets back almost 100 years. Headquartered in London with 22 offices worldwide, the Group has over 1,100 employees across Europe, Asia and America. **For more information visit www.marex.com**

Cryptos: bear markets can last longer than you think

In an environment surrounded by major crash landings and the implosion of several hedge funds and trading vehicles such as the 21Shares Terra crypto ETP (LUNA) that have had a ripple effect on the broader market, headwinds are expected in an already volatile crypto market.

The US Federal Reserve biggest interest rate hike in 28 years is not helping the to calm the nerves. However, not everything is bad news in the crypto world. Canadian crypto structured products firm InvestDEFY has just announced that its SYGMA BTC structure has generated an 8.52% return with a volatility of 8.63, while BTC had a -50% return and a volatility of 72; and that its SYGMA ETH generated a -4.01% with a volatility of 14.6, while ETH had a -62% return and a volatility of 90.

SRP caught up with Aaron Samsonoff (pictured), crypto and DeFi expert, chief security officer (CSO) and co-founder of InvestDEFY, to get his insights on the current state of affairs in the crypto market and tips to navigate it as we enter the crypto winter.

CRYPTO DOESN'T OPERATE IN A VACUUM

Aaron Samsonoff: What we are seeing with the Fed interest hikes and tightening is that crypto correlation to the macro market is high and should always be the assumption.

Crypto is going through its 2007-2009 global financial crisis moment right now. We saw the first wave of selling late last year as the topping pattern was starting to unfold. The first wave was predominantly smart money seeing the signs - the Fed tightening, interest rates going up - and getting out.

Then the second wave started to unfold and was amplified by the Luna UST debacle which was followed by others - Celsius, Three Arrows Capital, Babel and Voyager Digital - also crashing and having issues with counterparty risk.

We're now in the forced selling liquidation phase. We will get more information over the coming weeks and months on who else is exposed from a counterparty risk perspective. But we're right in the middle of that phase. After this we may enter the apathy phase where much of the newer money that entered crypto is going to say never again and that's obviously the perfect opportunity to start accumulating again.

Bitcoin whales are accumulating spots and they're not trying to be clever with leverage, knowing that price may go down more. With that said, ~$20k BTC is a tempting level to start slowly accumulating a position. It usually works well to trade counter to the crowd's fear and greed.

Bitcoin and crypto at large have effectively behaved like leveraged ETFs on the Nasdaq.

NEED FOR PROTECTION WHEN DEALING WITH VOLATILE ASSETS

Aaron Samsonoff: Risk management is never sexy on the way up. Everyone seems to ignore it completely. And that is what is coming back to bite everybody in a market such as this when survival and risk management is all that matters.

Our SYGMA market neutral yield product is a good example because even if the price is dropping, you are potentially yielding a positive absolute return or at least neutralised

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Crypto is going through its 2007-2009 global financial crisis moment right now

relative to BTC/ETH, which is a win in a volatile market like this. The SYGMA programme is designed to neutralize downside and will accumulate more BTC and/or ETH as the price is heading lower. So, whenever we see the turn, you're sitting on more BTC and/or ETH to ride the wave back up by choosing to exit the SYGMA programme into our STACC programme that provides full asset exposure as well as generates annualized yield in the form of additional BTC and/or ETH.

The mood has shifted and there is definitely a market appetite now for lower volatility exposure to the crypto space. There are products that can offer you that. BTC and ETH are here to stay despite their own troubles, but I don't feel that confident with a lot of the long tail of the other alt assets. This is the type of market that cleanses those that don't have an appropriate business plan, those based on easy money, etc.

INDICES V SINGLE NAMES

Aaron Samsonoff: Single names have worked well. I'm a huge fan of having a small basket and watching it very closely versus trying to have 20 to 50 names which of course is the value proposition for an index.

With the current uncertainty about the Fed and counterparty risk, I would be cautious about taking a large position on a single name unless you have some unique intelligence that may outperform the market as a whole. Thoughtful thematic indexes are a good choice for investors looking to wade back into the market. Passive exposure takes the single name risk out of the decision making in place of a diversified basket of names.

I think that time is coming. Indices can be attractive to participate in the wider broader market. There is a possibility that we'll see Bitcoin price between $10k and $16k before this is over. But I think whenever that fear starts to clear the value of being able to pull that trigger before everybody else comes to the same conclusion is a great opportunity to deploy into an index and potentially back into those single names that have been able to survive this through prudent risk management and have a compelling business model.

MARKET RECOVERY

Aaron Samsonoff: We're going through a cleansing phase right now. This is no different than traditional finance except the fact there is no concept of too big to fail in crypto, so no bailouts unless by the private market resulting in the weak dying off and the strong becoming stronger. I've been involved in this space actively since 2013 and been following it since 2011, and I have seen it many times - when prices go up, everybody's calling for BTC to reach $100k, $250k, $1m and all of that which are typically signs of some sort of topping pattern, and vice versa.

We're having capitulation, everybody's grave dancing and talking about how cryptos are dead and typically that's some sort of bottom signaling. I'm not saying this is the exact bottom, but those are points of intelligence to think that maybe it makes sense to take a trade or an investment counter to the trend. I don't think this period is any different than previous periods with regards to calling it dead. I think the difference is the speed at which it unfolded.

ENTRY POINTS

Aaron Samsonoff: I do not expect a V-shaped recovery, although this is a market full of human emotions and things unfold fast and can change overnight. In general, we are in that apathy phase where things trade sideways or slowly down and it's just week after week, month after month, everybody starts to capitulate, give up, and exactly at that point is when prices start to go up.

With that said, there are record levels of cash and/or stable coins on the sidelines and humans especially retail, but also institutional and smart money aren't immune to this either. When you do see prices starting to move up and you're sitting on the sidelines, you are going to want to start chasing. With that said, until proven otherwise, rallies are for fading. We have shifted from a buy the dip to sell the rips market mentality. It remains to be seen what will happen next.

Crypto News

All the latest developments in digital assets from across the globe

Singapore market maker aims at exotic options, structured products

Singapore-based OrBit Markets, an institutional liquidity provider in crypto options and structured products, has raised US$4.6m in an angel funding round led by digital assets financial services platform Matrixport, Brevan Howard Digital, New Form Capital, Maven 11 and Westridge Markets – the round was oversubscribed.

Founded this year by a team of former leaders of Deutsche Bank's top-rated currency division, OrBit has built quantitative models and risk engines which allow it to provide liquidity across the entire spectrum of option products from basic vanilla options to the most exotic structures.

In partnership with CeFi platforms and DeFi protocols, OrBit has launched several products aimed at investors seeking for safer investing and hedging solutions following the recent market turmoil. As the digital assets market evolves, more investors and DeFi users are exploring advanced options strategies for investment and yield enhancement, but few market makers are able to provide liquidity in these complex products, according to Caroline Mauron (pictured), CEO and co-founder of OrBit.

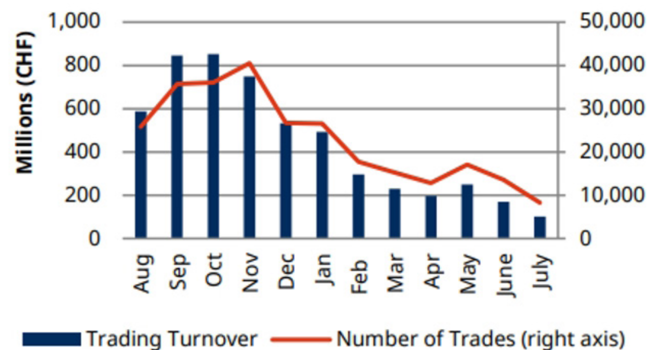
'Even in traditional finance, such capabilities are concentrated in the hands of a few global investment banks. [We want] to bridge this gap by bringing decades of derivatives expertise to the crypto market,' she said.

The funding will be used to accelerate the development of the company's proprietary technologies, while enabling it to expand its business footprint, scale its client base and bring to market new structured products.

SIX crypto trading volume down by 50%

Crypto trading activity in Switzerland's main stock exchange experienced a sharp decline in July 2022, according to SIX's latest report.SIX has reported bleak trading activity in relation to crypto products with volumes aggregating to CHF77.2 billion

SIX Swiss Exchange: monthly turnover crypto products



Source: SIX Swiss Exchange

(US$ 82.19 billion), the lowest level so far this year in terms of both trading turnover and number of transactions.

As volatility dropped to levels below the peaks of 2021, trading activity on SIX Swiss Exchange also stabilised in Q2 22. According to the report, trading turnover at the exchange's venues, including on SIX Structured Products Exchange, had a combined nominal value of less than US$81 billion,

SIX Swiss Exchange: yearly turnover crypto products

Source: SIX Swiss Exchange

at today's rates, in July. This figure was down by 21% from CHF97.8 billion in June 2022.

In terms of the total number of transactions, the volumes were numbered at 4.12 million, also a loss of 16% month-on-month compared to 4.9 million transactions reported for June 2022.

SIX remains a popular destination for crypto listings with the Zurich-based market operatorreporting a trading turnover of CHF100.9m (US$105m) for crypto products listed on exchange, down from CHF170.5m the previous month. In total, 186 products were traded and 8,286 transactions concluded. The highest turnover was recorded by the 21Shares Ethereum ETP with CHF14.8m; the most transactions were recorded also by the 21Shares ETP with 1,560 trades.

The SIX exchange infrastructure was deployed to launch five new crypto products including the ETC Group Physical XRP ETP, Pando Asset Crypto 6 ETP, Long Mini-Future on Bitcoin Future, Long Mini-Future on Ether Future and Risk Controlled Ethereum Index ETP.

US crypto network rolls out market neutral yield token

Index Coop, a US asset management and decentralised network project offering crypto index products, has rolled out a tokenised strategy that gives holders access to a source of USD-denominated yield by executing a basis trading strategy on Perpetual Protocol's Optimism market.

Perpetual Protocol is a software that seeks to incentivise a distributed network of computers to operate an exchange where users can buy and sell derivative contracts.

The new Market Neutral Yield Token (MNYe) contains a fully hedged ETH position, with equivalent spot exposure and short exposure via perps. Token holders will earn a variable USDC return when the funding rate is positive, while removing all exposure to price volatility of the underlying asset.

The MNYe product takes simultaneous long spot and short perpetual positions and derives yield from the funding rate, which is generally paid by long perp positions to short perp positions. By taking a fully hedged position, the product has no net asset price exposure. MNYe will use a 1x long ETH spot position and a -1x short ETH perp settled in USD. The yield will be further enhanced by thrice-daily auto-compounding when the USD funding balance is positive. The yield is used to maintain a leverage position between -1x and -2x.

Basis trading, also known as cash and carry arbitrage, is an established strategy for achieving price-neutral profit by arbing the difference between an asset price on the spot and near-term futures markets. In DeFi, perpetual swaps – also called perpetuals or perps – can be used in lieu of futures. First implemented by Bitmex, perpetuals are futures with no settlement date.

BlackRock, Coinbase partner to provide crypto trading and custody

Coinbase is partnering with BlackRock to provide institutional clients of Aladdin, BlackRock's end-to-end investment management platform, with direct access to crypto, starting with bitcoin, through connectivity with Coinbase Prime.

Coinbase Prime will provide crypto trading, custody, prime brokerage, and reporting capabilities to Aladdin's Institutional client base who are also clients of Coinbase.

Built for institutions, Coinbase Prime provides advanced agency trading, custody, prime financing, and staking, as well as staking infrastructure, data, and reporting that supports the entire transaction lifecycle.

"Our institutional clients are increasingly interested in gaining exposure to digital asset markets and are focused on how to efficiently manage the operational lifecycle of these assets," said Joseph Chalom (pictured), global head of strategic ecosystem partnerships at BlackRock. "This connectivity with Aladdin will allow clients to manage their bitcoin exposures directly in their existing portfolio management and trading workflows for a whole portfolio view of risk across asset classes."

Coinbase has just reported a second consecutive quarter of losses, driven by the spring meltdown and the arrival of the crypto winter. Coinbase has lost US$1.1bn, or US$4.98 a share, in the second quarter, compared with a profit of $1.6bn, or $6.42 a share, a year ago, the company said yesterday (9 August).

InvestDefy adds STACC to yield enhancement range

Toronto-based crypto structured products provider InvestDefy has launched STACC, a dynamic weekly yield enhancement program for BTC and ETH.

Without employing leverage, STACC enables the growth of an investor's stack of BTC and/or ETH, boasting greater annual percentage yields (APYs) than traditional call and put writing strategies.

Driven by InvestDefy's Digital Asset Trading Automation

(D.A.T.A.) platform and guided by its DORA Predictive Explorer analytics platform, the STACC programme is optimised to generate APYs each week while allowing for upside participation on the underlying asset.

STACC is also structured to allow all of the program's collateral and assets to be safely held with its custodian, eliminating the need to transfer assets to any counterparties, reducing exposure to undue risk, and further bolstering the safety and protection of assets, said James Niosi (pictured), CEO and co-founder at InvestDefy.

Using a weekly signal produced by the firm's analytics platform, the product will express its view by selling one-week options using calls, puts, or a combination of both. Option structures are then automatically deployed into the STACC trading system, which prices the option(s) and routes for execution into the best market, controlling for liquidity, price discovery, and slippage. Yield in the form of premiums is reinvested each week, compounding over the lifetime of the investment.

InvestDefy recently announced the strong performance of its weekly market neutral yield harvest program, Sygma - Sygma BTC generated an 8.52% return with an 8.63 volatility, and Sygma ETH returned -4.01% with a volatility of 14.6 from January 21, 2022 to July 1, 2022. During the same period, BTC dropped -50% with a volatility of 72, and ETH fell -62% with a volatility of 90.

BitMex dispatches first FX perpetual swap contracts

Crypto trading platforms BitMex has announced the launch of its FX perpetual swap contracts (FX perps), the market's first-ever perpetual forex exchange swap listing.

The new product allows users to trade an initial 22 contracts on some of the most popular foreign currency pairs 24/7. As part of BitMex's wider derivatives offering, individuals and institutions alike will be able to trade FX perps with up to 50x leverage.

The FX perpetual swap is a type of derivatives contract that blends the attributes of both the spot and future markets. The perpetual swap offers leveraged trading, working in a similar way to traditional futures contracts but without an expiry date.

The FX perpetual swap allows users to long or short FX pairs and are margined and settled in either Bitcoin or Tether (ERC-20) on the BitMex platform.

The FX perpetual swap is a product designed for both retail and institutional users. Previously retail FX trading was mostly possible via contract for difference so, for the first time, both retail users and institutional traders can get access to FX markets through an exchange-traded contract, stated the firm.

Enjin coin enters Leonteq tracker certificates catalogue

Swiss structured products provider has launched a new tracker certificate linked to the performance of enjin coin.

The Enjin project was launched on Ethereum in June 2018 and allows users to create blockchain assets such as NFTs with a focus on tokenising in-game items on the ethereum blockchain.

Leonteq - tracker certificate on Enjin Coin (CH1129860446)

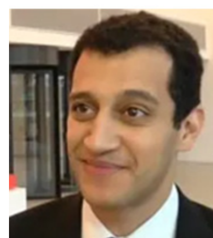
Source: Leonteq, as of 5 August 2022

Enjin provides the end-to-end solution needed to launch NFTs projects without the need to code (eg a platform to create tokens, a marketplace to list them, and a wallet to help users trade and manage them) and other low code tools for developers to help them integrating NFTs and blockchain in their gaming application.

ENJ token is an Ethereum ERC-20 token needed to mint NFTs on the Enjin platform. Owners can melt their NFTs back into ENJ anytime. Enjin is also developing Efinity, a polkadot-based project for NFTs with its own token EFI.

This is the latest addition to Leonteq's crypto tracker certificate range which includes 30 crypto assets, including bitcoin, cardano, ethereum, cosmos and solana.

21Shares expands 'Crypto Winter' product lineup



The Swiss ETP issuer has launched the 21Shares S&P Risk Controlled Bitcoin Index ETP (SPBTC) and 21Shares S&P Risk Controlled Ethereum Index ETP (SPETH) on the SIX Swiss Exchange. The index-tracking products offer exposure to the respective assets, while targeting annual volatility of about 40%, via allocating more assets to USD when bitcoin or ether volatility rises.

'Although Bitcoin and Ethereum are two of the best performing

asset classes of the decade, risk-averse investors are often wary of its price fluctuations,' said CEO Hany Rashwan (pictured). 'We're bringing down the volatility level on two of the most sought-after cryptocurrencies, to make it more palatable for investors to enter the asset class comfortably and to give investors a smoother ride.'

The launch come a few weeks after the company brought to market its Bitcoin Core ETP (CBTC), also in Switzerland — the first product in its so-called crypto winter suite - CBTC lends a portion of the underlying crypto on a fully collateralised basis to offset operating costs once the product scales.

Rashwan said the firm is looking to roll out several additional products in the suite throughout the second half of the year.

Hashflow to launch structured products after fundraise

The San Francisco-based DeFi platform on 21 July said it has raised US$25m in Series A driving its valuation to US$400m, following a seed around of US$3.2m in April 2021.

The capital infusion will enable the startup founded in 2021 to continue to offer DeFi trading experience through a request-for-quote (RFQ) model.

'This model also enables the trading of structured products and other asset classes previously considered impossible to trade on DeFi rails. Hashflow plans to offer structured products on its platform in allowed jurisdictions later this year,' said the firm led by co-founder and CEO Varun Kumar (pictured).

The new round included returning investors Electric Capital, Dragonfly Capital Partners, LedgerPrime, and Balaji Srinivasan, along with crypto-native new players including Jump Crypto, Wintermute Trading, GSR, Kronos Research and Altonomy. Other investors include Coinbase Ventures, Kraken Ventures, Fabric Ventures, Evernew Capital, Spacewhale Capital, and angel investors Meltem Demirors, Anthony Sassano and Jason Choi.

Pando Asset debuts crypto ETP link to prop index on SIX

Swiss asset manager Pando Asset has listed its first crypto ETP tracking the Vinter Pando Crypto Basket 6 Index at SIX.

The Pando Asset Crypto 6 ETP offers exposure to the performance of a basket of digital assets consisting of largest smart contracts assets by market capitalisation - bitcoin (BTC), ethereum (ETH), binance coin (BNB), solana (SOL) and cardano (ADA). The weight per asset is proportional to the square root of the market capitalisation of each coin.

Pando Asset is domiciled in Switzerland and is built by a group of industry professionals from finance, blockchain technology, and crypto asset space, such as Huobi Group, 21 Shares, and Deutsche Boerse.

Pando Asset has partnered with crypto asset custodian Coinbase and is 100% fully collateralised – it uses several safety measures including multiple signature authorisation, whitelisting addresses, cold storage, and audit trails.

The asset manager is the fifth new crypto ETP issuer to join SIX Swiss Exchange this year. With today's crypto ETP listing by Pando Asset, investors can choose between a total of 176 crypto ETPs from 13 different issuers available for trading at SIX Swiss Exchange. In 2021, the segment of products with crypto asset underlyings at SIX Swiss Exchange has shown very strong growth.

Eqonex debuts investment offering with bitcoin ETN launch…

Digital assets group Eqonex has rolled out its investment product business with the launch of a bitcoin exchange-traded note (ETN).

The Eqonex BTC Tracker (EQ1B) is listed on the Deutsche Boerse with a total expense ratio (TER) of 0.89%. EQ1B is physically backed by bitcoin with an initial ratio of 0.001% of bitcoin per note and is currently only available to investors based in Germany.

Digivault will provide custody services for EQ1B with investors able to redeem their bitcoin for free.

According to Eqonex, the physical bitcoin will be held in a segregated account under a security trustee to eliminate collateral risk. The issuer said EQ1B was the first of a pipeline of crypto investment and structured products set for launch in the second half of 2022.

'Investors are looking for a range of ways to access digital asset investment opportunities,' said Frank Copplestone, head of investment products at Eqonex.

The ETN is the latest in a long line of crypto products launched in recent months. Bitcoin is currently down 57.4% year to date and last month briefly dipped below a significant price milestone of $20,000, its lowest point for 18 months.

Eqonex bolsters AM business with new heads

Nasdaq-listed Eqonex is directing 'significant resources and investment' into building its asset management business across investment products, structured products, Bletchley Park, a fund of crypto hedge funds, and lending. As a result, the Singapore-based digital assets firm has appointed Nick Cogswell (right), head of sales, asset management, based in London and Franklin Heng, head of asset management Asia, based in Hong Kong SAR, effective immediately.

The hiring follows the listing of Eqonex's first exchange-trade product, a Bitcoin exchange-traded note (ETN) on the Deutsche Börse Xetra Exchange, on 11 July.

'Further ETNs are expected to list in the coming months, together with the launch of the Eqonex structured products business,' said the financial service firm with a cryptocurrency exchange.

Cogswell joined with experience of running his own firm, and was previously the head of equity structured product sales Emea at Jefferies and after running Santander's private banking structured product sales business for the UK.

Heng joined Eqonex after an 11-year tenure with Springboard Capital, where he was managing partner focusing on hedge funds. He was previously head of equity derivatives and structured products distribution for The Royal Bank of Scotland, leading the Asia ex-Japan business, after spending seven years at HSBC Hong Kong in various roles including head of Asia derivatives (trading and sales) and head of wealth management sales.

SynOption taps Orbit Markets as first crypto market-maker

Founded by ex-JPM Asia head of FX options Anchal Jain (pictured), SynOption on 28 July announced a partnership with Orbit Markets to enhance its liquidity, trading and structuring capabilities for participants in the digital assets option market. SynOption is launching Synchro, a crypto options analytics and trading platform while OrBit Markets, which is also based in Singapore headed by three ex-Deutsche bankers in FX trading, will provide pricing to institutional clients on the platform.

'The crypto options market is fast evolving, and the need for trading more bespoke products, tokens, coins and strategies is something that is coming to the forefront,' said Jain. 'Synoption provides the ability for clients to price and execute a multitude of coins/tokens for a wide range of products starting from vanilla options to exotic strategies, as well as complex structured products.'

Trofi introduces yield enhancement product 'Earn +'

Trofi Group, founded by two ex-HSBC traders, has launched Earn +, a non-principal protected structured product known as a dual currency deposit, dual investment or deposit plus. The type of product is one of the most popular investment products in traditional finance and is usually considered as a low-risk product, according to the Hong Kong-based firm. A strike price lower than the current market price of the underlying asset is agreed upon. On the maturity date, if the price is above or equal to the strike price, the investor's returns are calculated in the stablecoin with annual percentage rate (APR). If the market price is below the strike price, the stablecoin and APR are converted to the underlying crypto asset.

'Customers generate yields in buy-low Earn+ by selling an option and taking only the agreed risk and none other', said Trofi co-founder Andrew Lam (pictured). 'We are the first platform to offer 20 cryptocurrencies on Earn+, and we have traded the first Earn+ on Waves token in the market, where clients earned 800% APY.'

Leonteq gets the Chiliz

Leonteq has launched a new tracker certificate linked to the performance of Chiliz, a cryptocurrency traded on Coinbase. The product carries an admin fee of 1.50% and has the highest risk (7) in the KID risk indicator.

Chiliz is based on the idea that blockchain technology can be used to provide fans around the world with a new way to engage with their favourite sports teams and likewise the teams with a new way to monetise their global fanbases.

Chiliz raised over US$66m through private placement in 2018 and operates the sport platform Socios (socios.com). Socios providing sport fans with the chance to connect with their favorite sporting organizations through fan tokens. Fan tokens can be used by fans for voting on decisions that directly impact their favourite teams, VIP rewards, exclusive promotions, AR-enabled features, chat forums, games etc.

The CHZ token is used to purchase fan tokens and acts as the platform's internal currency. CHZ started out as an Ethereum ERC-20 token. Fan tokens however are minted on a complete separate blockchain.

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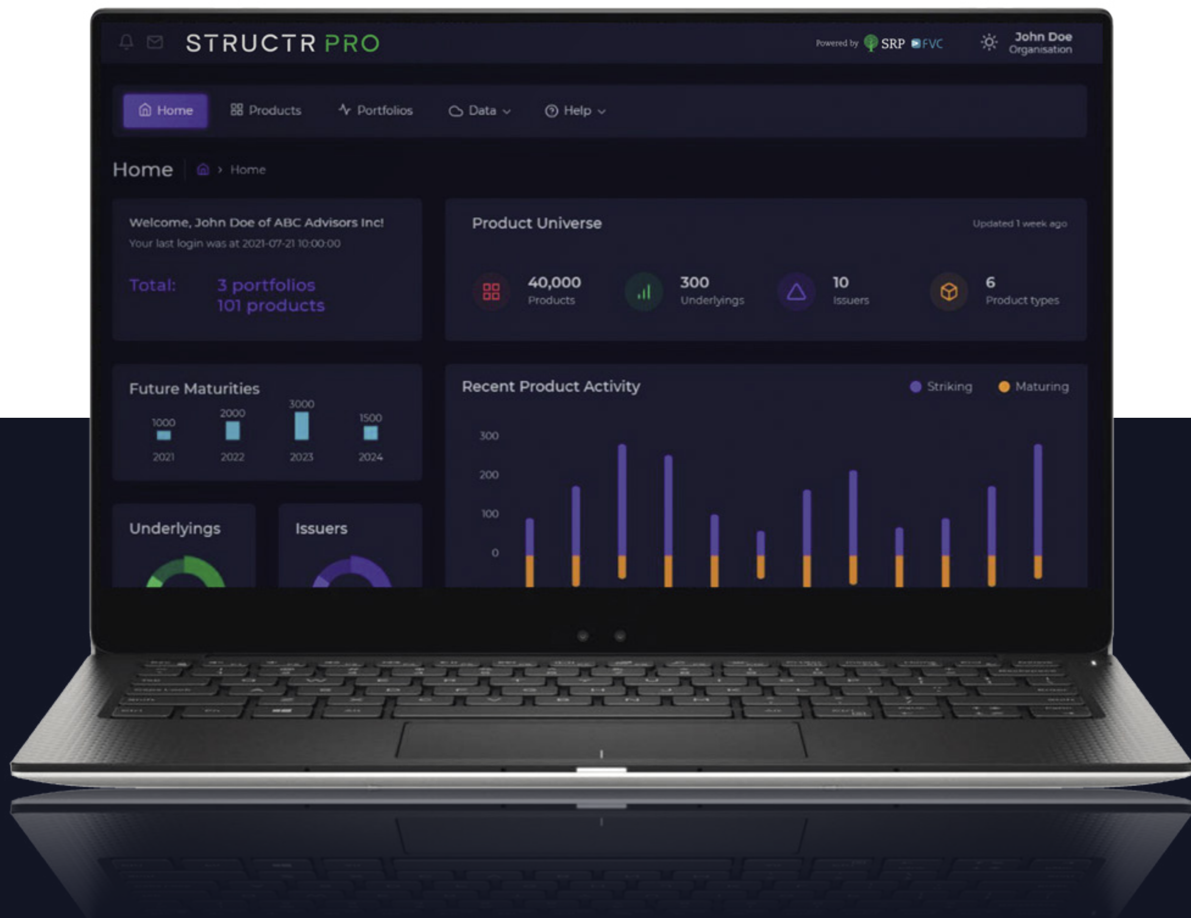

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EXPERT VIEW

Innovation, complexity: treading the middle ground

The recent notice on complex products from the US regulator signals a revival of supervisory measures to balance out innovation and complexity.

by Tim Mortimer – FVC

Image: titima157/AdobeStock

In March 2022, US regulatory body Finra published a notice (reference 22-08) on complex products. This was the first major follow up in this area after its original document on the subject ten years ago (named 12-03).

The current notice opens up many interesting issues about how to address investor protection in today's markets. Back in 2012 when Finra first defined complex products as a concept, the investment world was a different place, coming out of the dotcom crash of 2000 and latterly the global financial crisis of 2008. Finra took great care in providing examples of complex products and poor practices but stressed that this did not define the full range of such products. Instead, it defined the characteristics of complex products and the use cases likely to cause problems. Back in 2012, the main types of products highlighted were asset-backed securities, structured notes (in particular steepeners, worst-ofs and those with barrier protection) and various types of funds including volatility, leveraged and inverse.

Finra stated in the original document: 'The list is not exhaustive. Moreover, many products that do not possess the characteristics described may nevertheless require heightened compliance and supervisory procedures due to the risks they present. However, the general characteristics should assist firms in establishing policies and procedures to identify products that are sufficiently complex to warrant enhanced oversight. The fundamental point for firms is that if a product has similar features of complexity [to the list presented] then firms should err on the side of applying their procedures for enhanced oversight to the product.'

The two US regulators, SEC and Finra, have historically adopted an approach of disclosure requirements and market oversight. This has been supplemented by post-event enforcement action, which can take years to resolve.

Of the pair of regulators, Finra is tasked to subject its members to a more detailed and proactive regime. Its role is different to the purely rule and law setting SEC. The 12-03 notice heralded a rather more principles-based approach, in line with some other national regulators, as cited by Finra at that time.

There have been many changes and developments in markets in the last 10 years but the list of products that may be

considered complex as detailed by Finra in the updated notice do not show a fundamental change of approach by Finra or overwhelming trends within markets towards complexity. As well as re-iterating previous investment types described ten years ago, Notice 22-08 describes newer investment types such as defined outcome ETFs, RILA (annuities), cryptocurrency linked investments and Interval funds.

Structured products do not feature as prominently as before, perhaps indicating a greater acceptance and understanding of the asset class supported by stronger practices in the sector. Finra does point out: 'The structured retail products market in the U.S. continues to see strong growth, with one commonly cited market data source indicating continued record volumes of products launched.' This source is www.structuredretailproducts.com.

RISK V COMPLEXITY

The array of products that have been addressed by Finra across both papers show the breadth of the problem it is trying to address. If a given investor has certain goals, risk tolerance and market view then they should be able to choose an investment that will deliver for them as they intend and expect. The main problem with complexity is that it interferes with the investor's ability to make such judgments. Complexity can also hide high risk or excessive fee levels. Asset backed securities, interval funds, Index linked annuities and the more complex and long dated structured products all have the potential to cause such issues. Rather different in nature are leveraged and inverse funds and the newer defined return ETFs.

These are arguably more straightforward but will have received attention because of their popularity. Leveraged funds are not inherently difficult to understand but do have some technical characteristics. However, their main issue is their level of risk. Off the back of a couple of years of stock market growth there may be an illusion that the investments are an easy one-way street to success. The same is true of cryptocurrencies although the latest crash will have come as a sober reminder to many. The case of defined return ETFs is a little more subtle since the biggest threat is missed positive appreciation in a rising market, this is the likely reason for their inclusion.

Dealing with complex products from a regulatory perspective is not easy. Traditionally, Finra has adopted a policy of requiring appropriate education, training and disclosures. Additionally, firms are required to get sufficient investor attestation for them to be allowed to deal in certain investments. These measures have some similarities to the target market concept of European regulators as defined in Mifid 2.

Notice 22-08 also highlighted the importance of sufficient oversight in a non-advised context: 'These concerns may be heightened when a retail customer is accessing these products through a self-directed platform and without the assistance of a financial professional, who may be in a position to explain the key features and risks of the product to the retail investor.'

Self-directed platforms are not new, brokerage accounts have been used for decades and back in the dot-com era of 1998-2000 the term Nasdaq day trader was coined to describe such activity. However, their usage and the array of products has undoubtedly grown over the years. This has also been fuelled by the rise of social media postings and the trend of excited discussions between investors.

Therefore we can expect that Finra will apply particular scrutiny to such platforms, but it will be a constant challenge to be able to effectively regulate these firms since it is notoriously difficult for law makers and regulators to keep pace with technological advances and ensure a level playing fields that has no exceptions.

Some of the measures hinted at in 22-08, together with recent SEC statements sound very close to the concept of product intervention where a regulator directly or indirectly makes activity in certain product types difficult or impossible. Product intervention has only generally been seen in smaller and more centralised markets, such as Belgium, Switzerland and Hong Kong. Such measures go against the culture of a market such as the US and are fraught with difficulty. It can lead to legal challenges and investment firms will look for loopholes or workarounds instead. It also becomes very difficult for a regulator to define the boundary of such exclusions. An unintended consequence of a regime with product intervention is that any investment or investment type that has not been excluded can be taken to be implicitly approved or endorsed.

Finra invited comments to be submitted publicly over a six-week period. The scale of replies was staggering, over 10,000 posted on the Finra website compared to a typical level of response of less than 100 for other recent notices that invited feedback. Most comments were from investors unhappy at the prospect of being restricted from dealing in leveraged or inverse funds. Example comments include: 'Leveraged and inverse funds are important to my investment strategies and I should have the right to choose my investments free from government intrusion' and 'Public investments should be available to all of the public, not just the privileged'.

These sentiments highlight another element of investment complexity. Investors are not a uniform group and what may be complex to one type of investor is perfectly clear to another. Equally what may be deemed complex by the majority today will likely become commonplace over time as familiarity increases.

Innovation and complexity are opposing forces and regulators have a difficult task in allowing the market to tread a middle ground. Through this notice, Finra is laying out its vision and approach to serve US investors over the coming years.

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

Time horizon impact on structured products

Structured products generally have a fixed maturity and the choice of the length of the investment when selecting a structured product is very important. There are different factors to be considered: product features and investor preferences. *by Tim Mortimer – FVC*

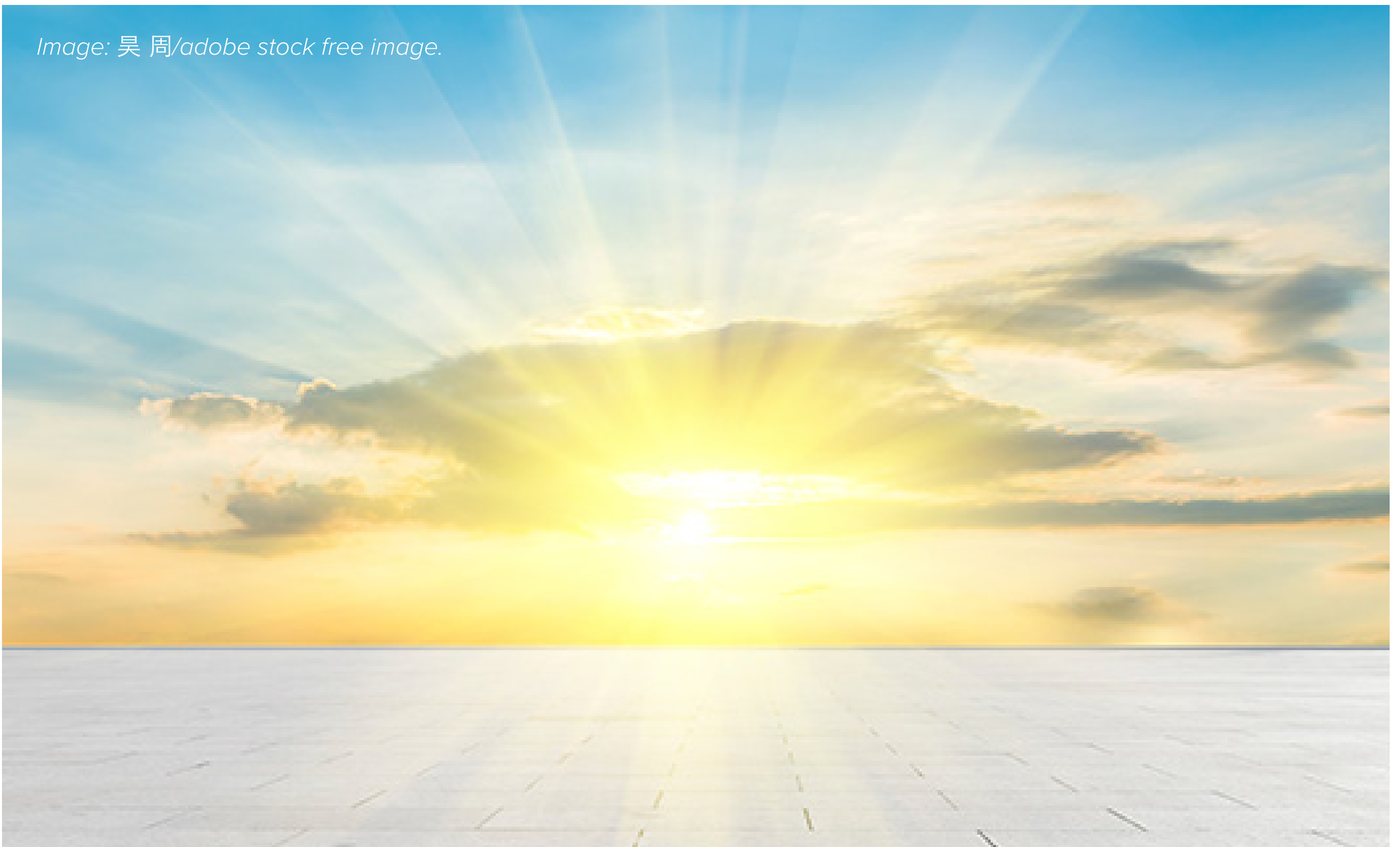

Image: 昊 周/adobe stock free image.

When considering product features, it is natural to start with the optics of product headline terms and how the choice of maturity affects them. In most markets, a five-year maturity tends to be approximately the median although maturities range anywhere from three months up to 10 years and beyond. One key factor affecting product terms is whether the product is capital protected or at risk. Capital-protected products ideally need a longer horizon so that the cost of protection can be spread over a greater period. Capital-at-risk products face the opposite problem because they are generally yield enhancing. They work by selling options and using the premium to buy an extra income stream. This will only work for a relatively short maturity since the premium is fixed and needs to fund that income stream over the full lifetime.

High interest rate levels generally help both these types of structured products. They certainly boost capital-protected products because the interest income that is given up in favour of an equity option is higher for a given maturity. For capital-at-risk income products, the position is not quite so clear since the option premium generated will boost the income stream still further but if rates were high enough

Most investors have preferences that can be defined by a target investment horizon and risk appetite

investors might be happy with deposits and therefore not take any risk. The recent rise in interest rates from the very low levels over the last ten years has been very welcome for structured product manufacturers, particularly those looking to structure capital protected products.

Most investors have preferences can be defined by a target investment horizon and risk appetite. This horizon might be very long (for example 25 years) to accumulate assets prior to retirement or more medium term (say seven years) for a particular goal such as school fees. The choice of the length of a suitable structured product for an investor is partly dictated by their overall horizon. While it would not generally be sensible to carry investments with maturities longer than the final investment point there are several different considerations governing how to choose investment maturities shorter than your full investment period. We shall consider fee load, locking in terms and tactical allocation.

For retail structured products, longer dated investments usually represent better value. This is because there are fixed costs associated with issuance including structuring, compliance and distribution fees. Most of these costs are fixed and will only increase slightly for a longer dated product. Therefore, the fee load per annum is lower for longer dated products making them a more cost-effective solution.

This leads on to the second consideration of locking in terms and the associated liquidity. Structured products usually have fixed terms such as yield, upside and protection levels. This is the concept of defined returns and it illustrates why hedging is so important since the only way to create a hedging strategy to provide these returns is to take positions in bonds and options to lock in the cost. This implicitly means that the investor has committed to an investment at prevailing levels of interest rate, credit spreads, dividend yields and volatility. The longer the product maturity the more important this decision is particularly with regards to interest rates in a potentially rising rate environment.

Liquidity of the instruments required for hedging is also important and options and equity forwards tend to be less liquid for longer maturities. Most underlyings will only have good liquidity out to a maximum of two years, although mainstream indices and large cap stocks have active broker markets out to five or more years. Therefore, for longer dated products not only is there the question of whether you are committing to a hedging parameter that is likely to go against you but also that the cost of that hedging is more expensive because the investment bank will incur more cost or need to reserve against greater risk.

Investors often try to time the market for their investments. This is notoriously difficult to do and over a long-term investment horizon it is less important. Asset allocation and low fee levels are the key drivers. Retail structured products are not always best placed for tactical market timing because of the lead time required for issuance of a public offer, such activity is usually limited to private or bespoke deals.

Because of the sensitivity structured products have to many factors sometimes a particular market environment will push distributors to try to capture favourable terms. The most important of these are low strike levels after a fall in the underlying or taking advantage of a volatility spike to generate yield for capital-at-risk products. Products that have been put together in a tactical situation tend to have relatively short maturities so that the investment view or market conditions can be realised when the product expires.

In conclusion, we see that the length of time horizon is very important in selecting structured products but that there is no simple answer for any situation or investor group. The distributor or adviser should assess all these factors and more to select the best investment or strategy for their investors.

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ANALYSIS

France performance analysis: structured products beat bonds, ETFs

Investing in equity markets via structured products has allowed French investors to avoid some of the recent market falls.

SRP compared the performance of structured products matured in France since 2015 with other popular passive index-based strategies held over the same period. The analysis shows that structured products have delivered an enhanced regular return compared to fixed income strategies, while at the same time allowing a controlled and low risk exposure to equities.

STRUCTURED PRODUCTS VERSUS BOND STRATEGIES

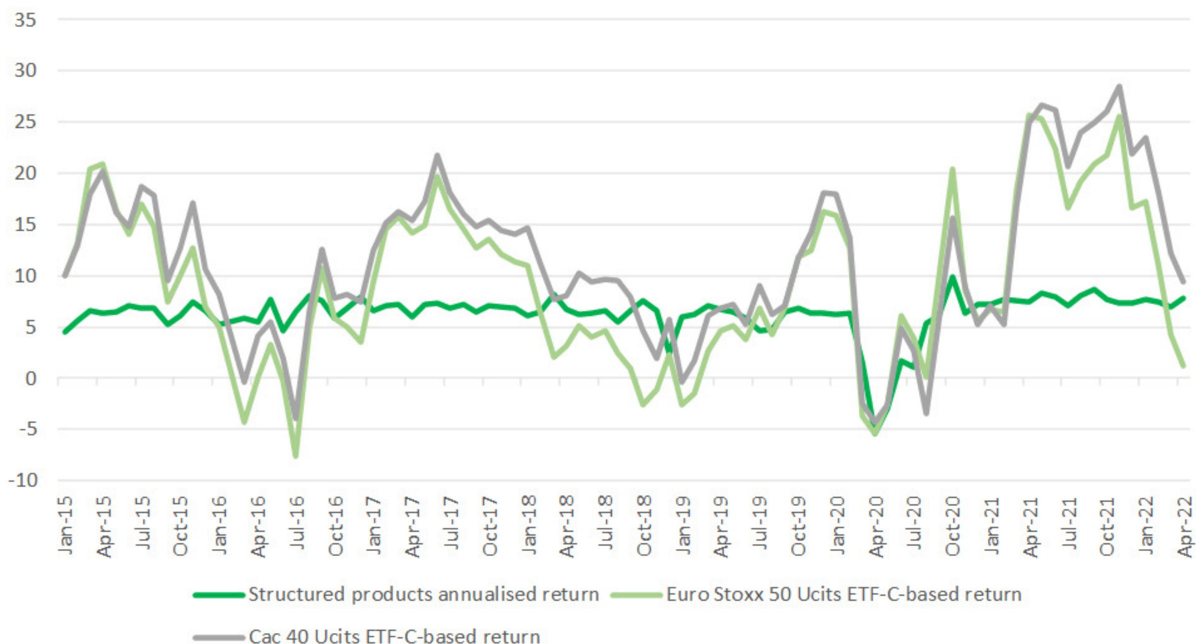
To measure structured products' performance against the fixed-income alternatives we have compared it over a period of seven-years to two high yield and investment grade corporate bond exchange-traded funds (ETFs) with reinvested dividends: iShares Euro Investment Grade Corporate Bond Index Fund and iShares Euro High Yield Corporate Bond ETF.

We calculate the performance of the two ETFs (based on their price) and for a duration similar to that of each matured structured product. Prior to the creation of the ETFs, we used as a proxy the historical data of their respective benchmark indices: Bloomberg Barclays Euro Corporate Bond Index and Markit iBoxx Liquid High Yield Total Return Index.

Our analysis shows that during the last five years structured products have delivered more stable and broadly higher returns compared to an investment in a fixed-income ETF with the same duration.

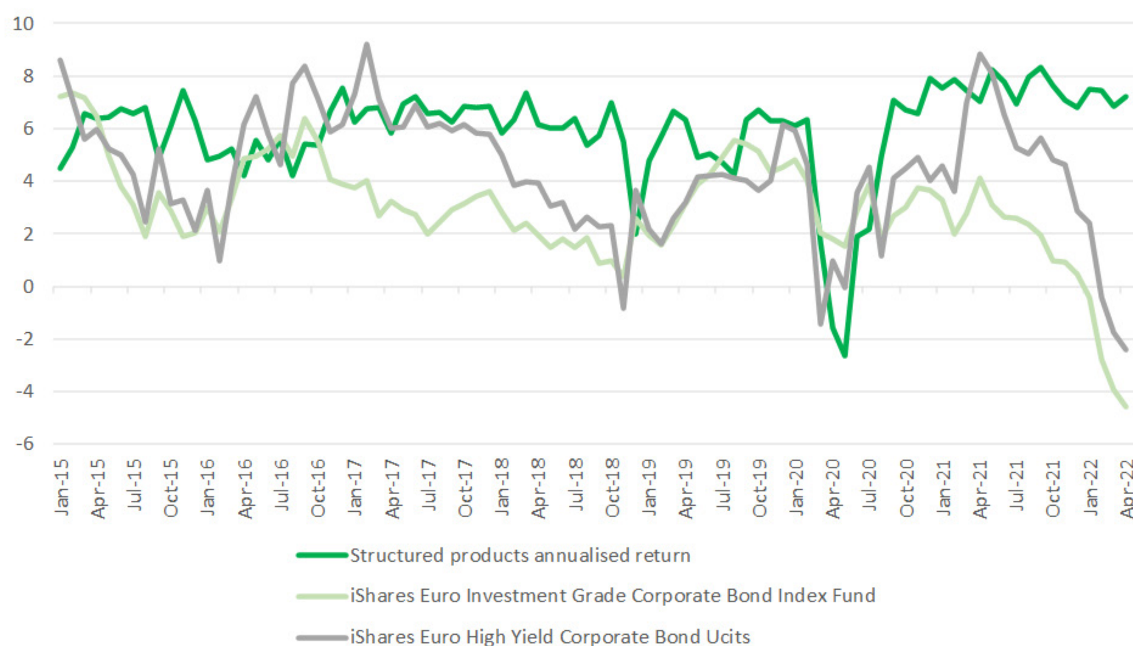
In fact, since 2015, an investment in the bond ETFs would have outperformed structured products only in 2016, as well as between April and June 2020, when several riskier structures weighed on the average return. In the first case, oil exposed high-yield utility ETFs tended to outperform in 2016 after slowing Chinese economy and falling crude oil prices in the second half of 2015.

Structured products annualised return (%) vs direct investment in equities



Source: StructuredRetailProducts.com, Investing.com

Structured products annualised return (%) vs investment in fixed income



Source: StructuredRetailProducts.com, Investing.com

In March 2020, the market crash triggered by the Covid-19 pandemic slashed returns across all asset classes while corporate bond valuations soared from their lows due to purchases by the European central bank especially high yield bonds. Notably, as a result of the massive monetary stimulus yields plummeted, pushing up bond prices.

The environment has changed since and the inflationary pressures have pushed interest rates up.

Since the beginning of 2022, bonds prices have been falling under the effect of higher interest rates. By contrast, yields on structured products have remained stable since the third quarter of 2020.

STRUCTURED PRODUCTS VERSUS DIRECT EQUITY HOLDINGS

In the below chart we have compared the performance of capital-at-risk structured products to ETFs replicating the performance of the Cac 40 and the Eurostoxx 50, with reinvested dividends, over the last seven years.

As with the previous comparison, we calculate the performance of each of the two ETFs over the investment term of each matured structured product.

Once again, we can observe a stable performance of structured products compared to a direct investment in the equity markets.

Even with the performance mishap resulting from the Covid-19-triggered crash, it remains clear that over the last seven years structured products have effectively allowed a controlled exposure to equities' fluctuations.

Therefore, investing in the markets via structured products allowed investors to avoid some of the corrections that we had in 2016 following the crash of the Asian markets and in 2018.

Typically, since the Covid-induced crash of March 2020, performances of structured products in France have stabilised, delivering a return of between six and eight percent.

However, there have also been products underperforming - four percent of the products maturing in 2020 suffered a capital loss. Underperforming products, just as in 2021, were typically riskier structures linked to individual stocks or to worst-of baskets of stocks (featuring Renault, Carrefour, Saint Gobain, and stocks in the banking sector).

Equity index-linked products did not lose capital during the Covid-related market crash in 2020, as they have not breached the protection barriers (generally absorbing a -40% to -50% fall), according to SRP data.

This indicates that investing in equity markets via structured products has allowed French investors to avoid some of the market falls, thanks to the protection barriers that almost all structured products offer today.

Product wrap: steepeners backed by Benelux investors

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

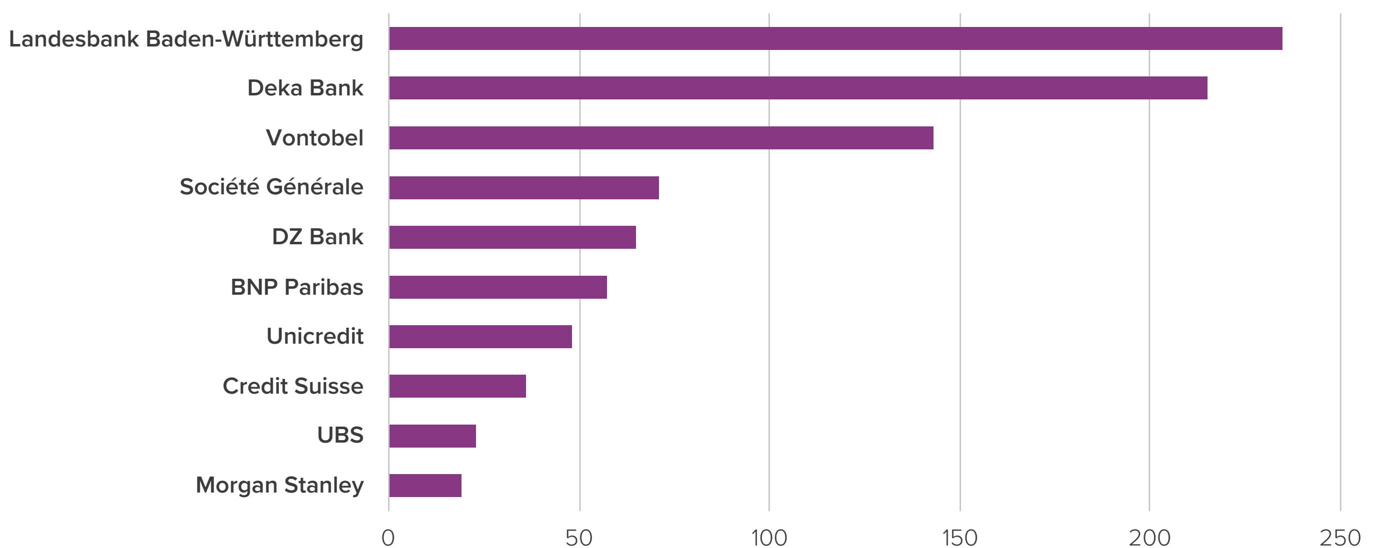
EUROPE

Van Lanschot Kempen collected US$2.3m with BNP USD CMS Spread Note 22-27 in the Netherlands. The five-year steepener offers a fixed annual coupon of four percent for the first two years of investment. The following years, the annual coupon is equal to 4.7 times the difference between the USD constant maturity swap (CMS) 10-year rate and the USD CMS 2-year rate. BNP Paribas is the issuer. The product is listed in Luxembourg and can be bought on the secondary market for US$1,000 nominal amount. The one-off entrance fee is 0.35%. Priips SRI: one out of seven.

A similar product was seen in Belgium where **Deutsche Bank** accumulated sales of US$22.7m with Interest Linked Bond USD 2028. The six-year medium-term note (MTN) is 100% capital protected. It offers a fixed coupon of 4.25% pa for the first three years of investment. The following years, the annual coupon is equal to two times the difference between the 30-year USD constant maturity swap (CMS) rate and the 2-year USD CMS rate, subject to a minimum coupon of three percent. The total costs of 7.50% are included in the issue price of 102%; the distribution costs are a maximum of five percent, and the structuring costs a maximum of 2.50%. The product is listed in Luxembourg but does not provide access to an active market. The one-off entrance fee is 1.05%. Priips SRI: one out of seven.

Generali launched Fréquence Patrimoine Juillet 2022 in France. The 10-year product offers access to the iStoxx France ESG 40 Decrement 50 Index. Starting on 18 July 2023, the product is subject to daily early redemption, providing the index closes at or above the autocall barrier, set at 100% for year one and subsequently decreases by four percent per year. The barrier for capital protection is 50%. The product is issued via SG Issuer with Société Générale acting as the guarantor. It is listed on the Luxembourg Stock Exchange. The one-off entrance fee is one percent. Priips Summary Risk Indicator (SRI): five out of seven.

Europe: top 10 issuer group by issuance - 17 July to 13 August 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Erste Group Bank issued Erste Protect Deutschland 22-23 in Austria. The one-year reverse convertible is linked to a worst-of basket comprising three German stocks: Deutsche Post, Daimler and Siemens. It pays a fixed coupon of 13.50%, regardless of the performance of the underlying shares. An American barrier of 60% applies. If the barrier is broken by at least one share during the observation period and the closing price of at least one share is below the strike price on the valuation date, the share with the worst performance (worst-of) is delivered according to the ratio. The product is listed in Vienna but can also be traded in Stuttgart. The one-off entrance fee is 0.5704%. Priips SRI: five out of seven.

Raiffeisenbank Baunatal marketed ZinsFix 22/26 in Germany. The 3.5-year express certificate is issued via DZ Bank and linked to the Eurostoxx 50 Index. It pays a fixed coupon of 5.20% pa, regardless of the performance of the index. The product redeems early, after 1.5-years or 2.5-years, respectively, if the index closes at or above the step-down autocall barrier. At maturity, if at no time during the investment period the index has traded below 48.50% of its initial level, the product offers 100% capital return. Otherwise, the investor will receive a number of reference securities (DZ Bank open-ended certificate: underlying Eurostoxx 50) determined by the subscription ratio. The product can be traded at the exchanges of Stuttgart and Frankfurt. The one-off entrance fee is 2.37%. Priips SRI: four out of seven.

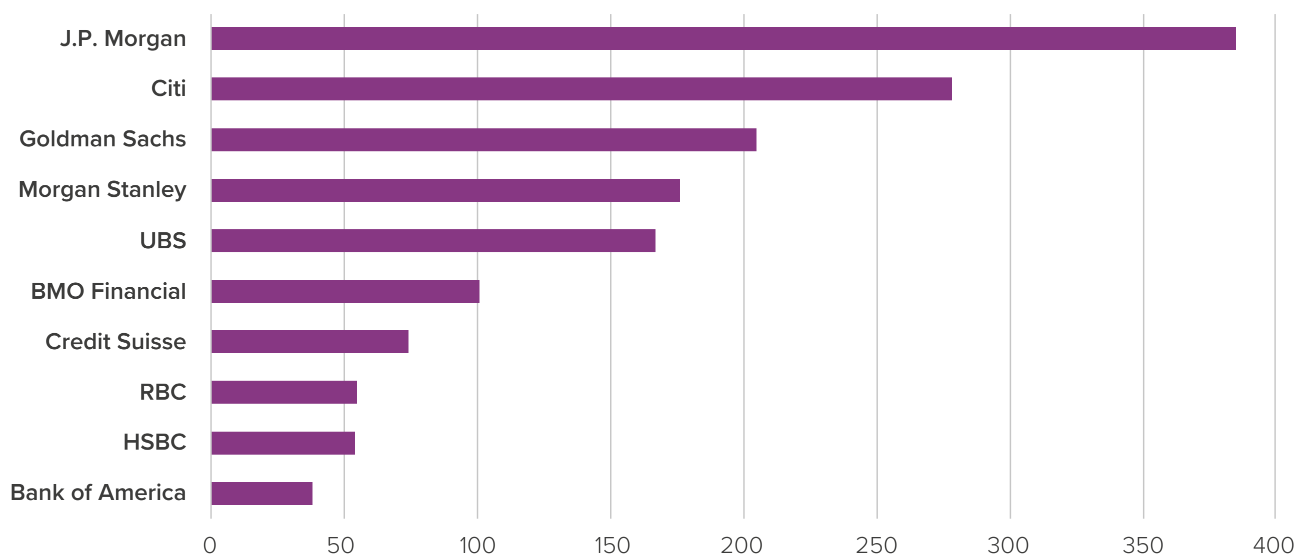
Dura Capital achieved sales of £300k with the three-year Fixed Rate Income Plan July 2022 in the UK. The product offers fixed monthly income of 0.725% (8.70% pa). At maturity, if the shares of Amazon, Apple, and Meta close at or above 60% of their respective starting levels, the investor will be repaid the invested amount in full. Otherwise, the capital is reduced 1:1 in line with the fall in the worst performing share. The product is issued on the paper of SG Issuer while Société Générale acts as the guarantor. The product is listed in London. The one-off entrance fee is 1.43%.

NORTH AMERICA

National Bank of Canada launched the NBC Autocallable Contingent Income Note Securities linked to the Solactive Canada Insurance AR Index in Canada. Every month, the performance of the index is measured. If it closes at or above 70% of its starting level on the validation date, a coupon of 0.615% (7.38% pa) is paid for that month. The product redeems early (monthly, from 26 January 2023 onwards) if the index closes at or above 105% of its starting price. Wellington-Altus Private Wealth will receive a fee of up to 0.15% of the principal amount of each note sold for acting as independent dealer.

J.P. Morgan issued Autocallable Contingent Interest Notes on the MerQube US Tech+ Vol Advantage Index in the US. The product has a maturity of five-years. For each quarter where the index closes at or above 50% of its starting level, the product pays a fixed coupon of 2.50%. The product is automatically called if the index closes at or above its starting price on any of the quarterly validation dates. If the index closes at or above 50% of its initial level on 31 August 2027, the product offers 100% capital return. Otherwise, the investor participates 1:1 in the fall. A selling commission of maximum

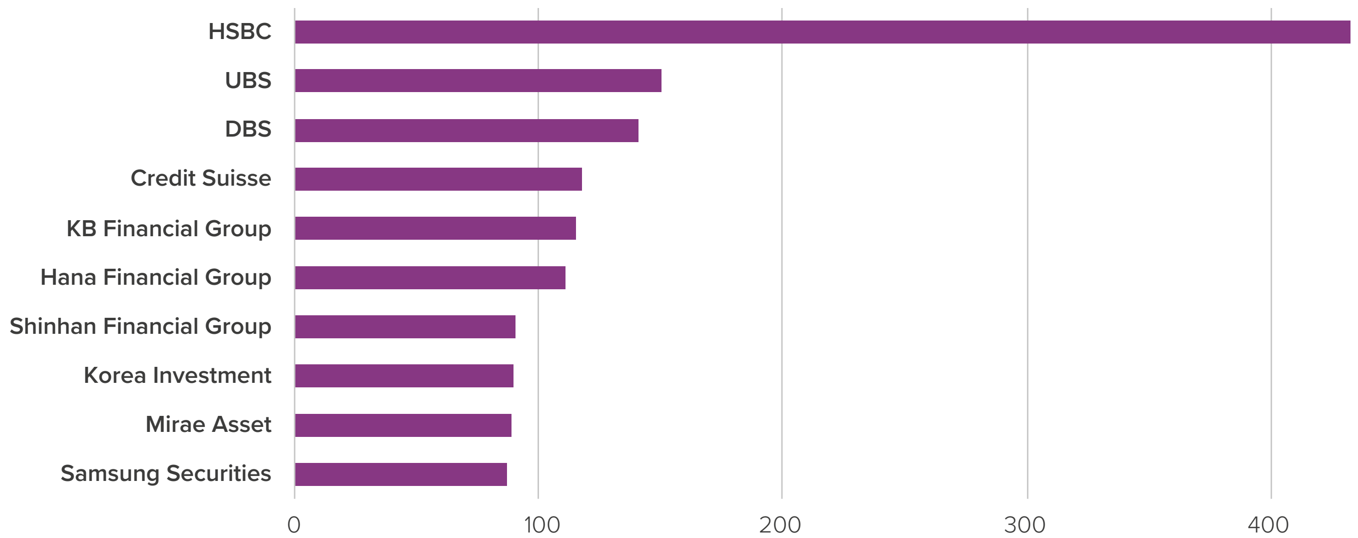
Americas: top 10 issuer group by issuance - 17 July to 13 August 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

Asia Pacific: top 10 issuer group by issuance - 17 July to 13 August 2022*



*Excluding flow- and leverage products

Source: StructuredRetailProducts.com

3.75% applies. The estimated value is expected to be approximately US$930.20 per US$1,000 principal amount.

Also in the US, **Citigroup Global Markets** achieved sales of US$833,000 with its Autocallable Contingent Coupon Securities linked to the iShares Russell 2000 ETF. The product offers coupon of 8.75% pa (paid monthly), providing the underlying fund is at or above US$133.133, which is 70% of its initial level, on the validation date. At maturity, if the final level of the ETF has not fallen below 70% of its initial level, the product offers a capital return of 100%. There is an underwriting fee of 2.15% and the estimated value of the securities is US$977.40.

MIDDLE EAST AND AFRICA

Absa issued the Global Fixed Return and Growth Protector Issue AP17 (1/5) in South Africa. The five-year product is linked to the MSCI World Business Cycle Clock Factor Select ER Index. Fifty percent of the investment is placed in a one-year fixed return account that pays a coupon of 10.2%. With the remaining 50%, the investor participates 150% in the performance of the index, capped at 50%. Total fees of 7.44% include a financial advisers fee (2.30%), administration fee (1.25%) and insurers fee (3.89%). This product is for use within an Assupol Linked Endowment Policy only.

ASIA PACIFIC

Gungin Securities collected of JPY300m (US$2.2m) with 複数指数連動/KI M20250718 in Japan. The three-year registered note is linked to the Nikkei 225 and S&P 500. It offers a fixed coupon of [1.5-3.5]% pa for the first quarter. Every quarter thereafter a coupon of the same amount is paid if the worst performing index closes at or above 80% of its initial price on any quarterly valuation date, or 0.5% pa otherwise. The product has a step-down autocall barrier, which starts at 105%. Société Générale is the issuer.

HSBC Bank was the manufacturer behind 两年美元汇视环球产品023款第3期/2Y USD Note S3 in China. The two-year, capital protected product is linked to the MSCI World ESG Screened 5% Risk Control Index. If, on the annual observation date, the index is at or above 112% of its initial level, the product offers a coupon of 3.1% pa. Otherwise, it participates 100% in the average performance of the index.

HMC Investment Securities, a subsidiary of Hyundai Motor Group, distributed HMC DLB 42 in South Korea. The three-month bond is linked to the Certificate of Deposit Rate 91d. If the final spot rate is at or above six percent at maturity, the product offers a capital return of 100.7704%. Otherwise, the return is set at 100.7678%. Industrial Bank of Korea is a third party for this product.

People Moves

BNPP poaches SG's global head of EQD sales

The French bank has bolstered its equity derivative business with a hire from rival Société Générale.

Julien Lascar (pictured), global head of equity derivative sales at Société Générale (SG), has joined BNP Paribas also as global head of equity derivative sales. He will remain in Paris and report to Renaud Meary, global head of equity derivatives at BNP Paribas, SRP understands.

The former head of global market sales - Europe ex-France for global markets at SG was promoted to his latest role in late 2019 alongside several senior managers within the global markets team following the review of its structured products business. Lascar reported to Alexandre Fleury, co-head of equities and equity derivatives and Yann Garnier, head of global market activities sales at Société Générale Corporate & Investment Banking (SGCIB).

Lascar led global market sales for Europe (excluding France) at the French bank since April 2018 when he added this role to his existing responsibilities as head of cross-asset sales in Europe, ex-France.

Lascar joined SGCIB in 2003 as a legal engineer and has held various management roles within market activities, including head of distribution and equity solutions for Asia and head of sales for Latin America.

Lascar's exit comes after SG swung to profit following the restructuring of its equity derivatives business in late 2020 after making a €200 million loss on autocall structures early in the pandemic. In the first quarter of 2022, SG reported revenues of €1 billion, up 20% YoY, in equity activity with strong client activity in listed products and prime services - the structured products portfolio remained stable, with good risk management, stated the bank.

SG appointed Eric Jungers and Jean-Francois Mastrangelo co-heads of equities & equity derivatives (EQD) for Apac at the end of May. The pair report to Jérome Niddam, Apac head of global markets, with a functional reporting line to Alexandre Fleury, global co-head of global markets, alongside Sylvain Cartier.

Lascar is expected to join BNP Paribas at the end of the year as SG has a five month non-compete clause for front office staff.

BNP Paribas is beefing up its corporate and investment bank division as part of its growth plan. Mike Bayley joined also from SG in September 2021 in a newly created role as head of equity derivatives & solutions, institutions & distribution, UK, to bolster BNP Paribas' presence in the market.

The French bank has also appointed Youri Siegel as its new head of ESG structuring for global markets earlier this year following the departure of Neven Graillat in late 2021.

HSBC appoints global head of wealth sales

HSBC Global Banking & Markets (GBM) has appointed **Patrick Boumalham** as global head of wealth sales from 1 September.

Boumalham (pictured) will add his new responsibilities to his existing role as head of wealth sales for Apac.

He will continue to be based in Singapore and report to Allegra Berman, global head of institutional sales & co-head of securities services and to Sridhar Narayan, head of MSS for ASEAN.

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

He joined HSBC in 2005 as a structured product salesperson targeting external asset managers (EAMs) and private banks in the GBM segment before becoming deputy head of equity derivatives sales for private banks for Emea.

... and head of structured products, Southeast Asia

Arnaud Gauthey has been promoted to, at HSBC Private Banking from his current role as director, structured product specialist, according to sources.

Based in Singapore, he will report to Ishan Sarkar, his predecessor. Sarkar (pictured) is now responsible as head of capital markets, Southeast Asia, for foreign exchange, fixed income, equities and structured products. The appointment of Gauthey has not yet officially announced by the UK bank.

Following his 13 years at BNP Paribas Wealth Management in Singapore, Gauthey joined HSBC Private Banking as director in April 2019 with his current responsibility across advisory, origination and marketing on cross assets structured products and derivatives. He also provides origination and structuring of non-flow and bespoke solutions for UHNW clients.

Starting as a project analyst and permanent control officer at the French bank in April 2009, Gauthey became an investment advisor on tailor-made solutions in 2015 and led the origination, structuring, advisory and promotion of the flagship products at BNP Paribas Wealth Management.

HSBC bolsters IWS

Philip Kurtenbach (right) has been appointed head of investments and wealth solutions (IWS) for Channel Island and Isle of Man at HSBC as the bank aims to grow its wealth and personal banking (WPB) proposition across the region. He has relocated to Jersey from London.

Managing a team of approximately 10 product and platform specialists, Kurtenbach is responsible for all investment products and services across global private bank, premier and personal banking segments for the region and HSBC's expat proposition. He reports locally to Emma Bunnell, CEO and head of WPB at HSBC Channel Island and Isle of Man.

Having served the UK bank during the past 13 years, Kurtenbach was a senior manager in brokerage, fixed income & structured products in UK for two years before becoming the global head of wealth structured products in April 2021. His career with HSBC spanned Hong Kong SAR and New York through a variety of roles including Apac head of digital content management.

Leonteq appoints new heads for retail flow business

The Swiss bank has created a department called retail flow business under the markets division, following its project to develop an automated retail flow platform earlier this year.

In this context, Leonteq has appointed **Michael Seifried** (pictured) and **Lars Hermann** as head and deputy head of the department, respectively, based in Frankfurt, according to an internal memo released on 15 July and viewed by SRP. Effective from July, other hires include business analysts Jens

Frohberg, Christian Richter and Felix Echtermeyer. Sebastian Schmidt and Maurice Kirst, who spearheaded the initial efforts in late 2021, will also be a part of the team.

The new retail flow business team will work closely with head of markets Steven Downey and chief executive officer Lukas Ruflin.

The two heads are European structured products market experts with a breadth of experience in derivatives trading at Commerzbank and Société Générale (SG), according to the memo. Seifried was most recently head of markets for Germany and head of listed products trading at Société Générale (SG) after working for 20 years at Commerzbank, where he served as head of equity markets & commodities (EMC) prior to the EMC business transfer to the French bank in 2019.

Hermann started at Commerzbank as a financial engineer in 1995 and became a structured products trader in 2000. From 2002 to 2020, his positions spanned deputy head flow trading, head of single stock flow products trading and head of linear products trading. At SG, he was head of linear products trading from 2020 to 2022.

Luma bolsters Latam coverage

Luma Financial Technologies (Luma) has announced the appointment of **Pablo Ortega** as head of Latam relationships, based in Luma's New York office.

Ortega joins the multi-issuer platform with over a decade of experience providing derivative-based solutions to institutional clients, financial institutions, and private client investors in Latin America that involve OTC derivatives, structured products, funds, and other securitized investments. Prior to joining Luma, Ortega served as a director at Citigroup, and an analyst with Morgan Stanley.

Ortega is the third Citi executive to join Luma since the firm entered the Latin America market in the fall of 2020. Luma previously appointed Fernando Concha Bambach as head of Latam and Rafael Salvatierra as head of Americas to drive growth in the region.

MerQube appoints chief commercial officer

US index provider MerQube has appointed **Roby Muntoni** as chief commercial officer.

Muntoni (pictured) will be responsible for MerQube's commercial growth, aligning the growth of its technology with the demands of a rapidly changing investment landscape. Based in New York, he reports to CEO Vinit Srivastava.

Muntoni has over 25 years of experience in the asset management industry, with a proven track record of leading commercial growth strategies globally, with long term revenue-generating potential. She joins from S&P Dow Jones Indices where he spent the last 13 years, most recently as managing director, institutional asset owners channel sales. Prior to that she was vice president, co-head of North America sales.

Muntoni joined S&P DJI from Bear Stearns & Company where she was managing director, product services and she was also a vice president, product development at BNY Mellon.

In October 2021, MerQube closed the series A funding round led by J.P. Morgan, raising US$5 million. Prior to that, MerQube had raised US$2 million in its seed rounds. Among MerQube's recent accomplishments are the US Tech + Vol Advantage Index, linked to one of the most successful structured notes, in 2021. MerQube is also a benchmark provider for defined outcome ETFs issued in the USA.

Citi

Médéric Gehl, director, head of delta one and retail solutions for Apac at Citibank, has relocated to Singapore from Hong Kong for "personal reasons" in June, a spokesperson at the US bank told SRP. Gehl (pictured) continues to report to Cyrille Troublaiewitch, co-head of equity derivatives distribution and multi-asset group for Apac based in Hong Kong.

Prior to joining Citi in August 2017, Gehl was equity derivatives solution sales for Asia ex-Japan at Deutsche Bank in Singapore for one year after spending two years at Natixis with a similar sales role covering Southeast Asia and Australia. He kicked off his career at BNP Paribas in 2004 and left 10 years later with his last role as executive director, commodity investment & strategic equity for Apac.

The US bank has also announced the appointment of John Williams as a director and head of UK wealth planning at Citi Private Bank in London, reporting to Robert Stemmons, head of trust & wealth planning, Emea.

Williams will work with the UK market region bankers, investment counsellors and other product specialists to deliver a bespoke wealth planning service to clients Williams was most recently head of wealth planning at Nedbank Private Wealth. Prior to this he was head of wealth planning at Credit Suisse UK, and previously held senior positions at Barclays and UBS.

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