

# SRPInsight

Issue 26 | January 2024

[Twitter](#) [LinkedIn](#) [Instagram](#) @SRP\_Insider

## BUILDING BLOCKS: AI IN THE SPOTLIGHT



Delinian

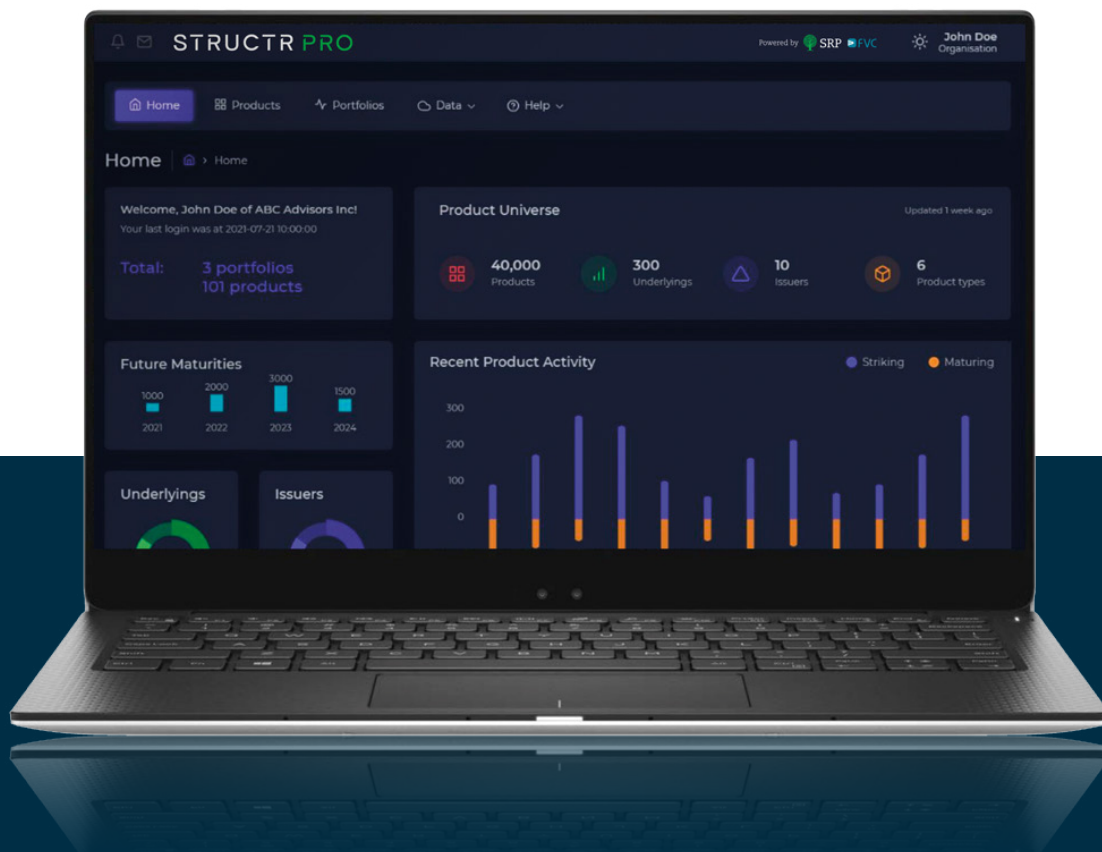
FEATURE // NEWEDGE  
p42

PROFILE // 3AI  
p34

Q&A // ORBIT MARKETS  
p40

# STRUCTR PRO

A fully featured structured product lifecycle management tool



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

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

Find out more at  
[structuredetailproducts.com/structrpro](https://structuredetailproducts.com/structrpro)

Powered by:



**Editorial:**

Amelie Labbé, Pablo Conde, Summer Wang, Marc Wolterink, Jocelyn Yang

**Production:**

Paul Pancham

**Marketing:**

Daniel Evans

**Sales:**

Reihaneh Fakhari

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

**Reihaneh Fakhari**

**T:** +44 (0)20 7779 8220

**M:** +44 (0)79 8075 6761

**E:** Reihaneh@structuredretailproducts.com

**Reprint policy:**

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



Front cover image: *Summit Art Creations*

# Contents

News Europe	4
News Americas	12
News Apac	22
Belsipa Conference – Regulation	30
Belsipa Conference - Gallery	32
Profile: 3AI	34
Q&A: IVM Markets	36
Q&A: QuantCube	38
Q&A: Orbit Markets	40
Buyside: Newedge	42
Crypto news	44
StructrPro: risk of highly volatile underlyings	48
StructrPro: Index analysis 2023	50
Spotlight on top issuers in the US	52
Spotlight on underlying assets in Poland	53
Product wrap	54
People moves	57

# Crelan, AXA partner with BNPP – return to equities

Crelan has collected €47.5m (US\$52m) with Global Select Coupon Plus 2029 in Belgium.



The six-year, capital protected certificate pays a fixed coupon of 2.75% per annum, totalling 16.50%. Its return at maturity is linked to the performance of the Stoxx Global Select Dividend 100, which is subject to 25 months backend averaging.

If the average performance of the index is between 116.50% and 150%, the product returns 100% of the nominal invested, plus the index return deducted by 16.50%. If the average index performance is at or above 150%, the capital return is 133.50% (150% minus 16.50%). In all other cases, the product offers 100% capital return.

The certificate, which was also available via the distribution network of AXA Bank

Belgium (part of Crelan group since 31 December 2021), is issued via BNP Paribas. It is Crelan’s first equity-index linked structure since October 2021, when it launched Callable Global AI Minimum Redemption USD 2029.

Based on analyses of its own customer base and client surveys, the bank has mainly seen demand for interest-linked products of late, resulting in the most recent launches all being linked to this asset class, according to Koen Theys, product, market & marketing specialist, value proposition invest, at Crelan.

“However, we would also like to offer the more dynamic investors, who certainly exist at Crelan and AXA Bank, investment opportunities that correspond with their investment objectives,” said Theys.

“We are fully convinced of the potential returns of equity-linked structures. It’s not that we didn’t want to bring those, it was more like waiting to see when they would fit into the issuance calendar and when we could offer good product conditions for such an equity structure,” said Theys, adding that further equity-linked issues are certainly on the bank’s wish list for 2024.

Crelan opted for the underlying Stoxx Global Select Dividend 100 as it wanted

an equity-index with a global spread which does not invest in a specific sector or theme. At the same time, the index had to be a benchmark – a requirement from the Belgian regulator FSMA.

“By choosing a dividend index, where the dividends are not paid out to the investor but instead used for the structuring of the product, we were able to offer very attractive product conditions,” said Theys.

Prior to the launch of Global Select Coupon Plus 2029, the bank had issued four interest-linked products – for a combined volume of €625m and with strike dates between December 2022 and August 2023. This week the subscription for its latest interest-linked offering, BNP Paribas Issuance BV (NL) Fixed to Floating CMS Linked Coupon 2027, closed early for an amount of €60.3m.

The four-year structure pays a fixed coupon of 4.05% pa for the first two years of investment. The following years, the coupon is equal to two-times the difference between the 30-year EUR Constant Maturity Swap (CMS) rate and the five-year EUR CMS rate, subject to a minimum coupon of one percent and with no cap. A maximum investment per investor of €250,000 applies for this product.

“By choosing a dividend index, where the dividends are not paid out to the investor but instead used for the structuring of the product, we were able to offer very attractive product conditions

# Dutch manager targets big coupon with SG autocall, ends year on a high

Wilgenhaege is marketing ASM International 13.8% in the Netherlands.



management & private investments, Wilgenhaege.

"Several [Athena's] have autocalled this year, so it makes sense for investors to rollover the released monies into a new one."

This year, two of the fund managers' Phoenix autocalls, Easy Coupon 12.8% and Easy Coupon 11.8% – both of which featured ASMI as one of the underlying stocks – redeemed early too, and, according to Smelt, many clients that invested in these Easy Coupon's also have or have had Athena's.

"Given the height of the coupon, [right now] preference is given to the latter category."

The underlying share of ASMI, a Dutch multinational company that specialises in the design and manufacturing of semi-conductors, is fundamentally supported by Wilgenhaege, according to Smelt.

"ASMI is increasingly finding itself in the sweet spot in the chip value chain and its technology is crucial for the latest generation of chips to function properly [...] this means that the company is well positioned for the coming years."

The SRP Netherlands database lists 11 publicly offered live products from Wilgenhaege – including 10 autocalls and one participation note – all of which put full capital at risk, and although Smelt insists the market for capital protection is

interesting and he keeps a keen eye on it, at this moment in time investors favour the high coupons attached to the Athena's.

"Products with 100% protection are often aimed at growth rather than the direct income preferred by our clients.

"Capital protection products in the more distant future will also be discounted net, which, with a longer term and higher interest rates, is not what our target group is looking for," Smelt added.

## Outlook

It has been a good year for Wilgenhaege, which has seen a strong growth in structured products during 2023, partly thanks to successful redemptions.

"Six very positive, two with a small negative, and soon two more that could potentially redeem with a big plus.

"Added up, good results, which means released capital plus a lot of interest income to roll over, satisfied clients who often make additional deposits for new clients, and a list of results that forms a nice showcase for new clients," said Smelt.

Including ASM International 13.8%, Wilgenhaege has placed six structured products this year, and Smelt expects more of the same in 2024. "However, we only place a product when we see it has potential, it is not a goal in itself to launch six products per year," he concluded.

The five-year note is subject to annual early redemption, providing the underlying share of ASM International (ASMI) closes at or above its initial level on any annual valuation date. In that case, the product returns 100% of the nominal invested, plus a coupon of 13.8% for each year elapsed.

At maturity, a European barrier for capital protection of 70% applies.

The product is issued on the paper of SG Issuer with Société Générale acting as the guarantor. It is the sixth Athena autocall distributed by Wilgenhaege in the Netherlands this year, and their third linked to a single stock.

"In recent years, clients have started at Wilgenhaege specifically for our Athena's," said Tjerk Smelt (pictured), director relationship management, asset

// Several [Athena's] have autocalled this year, so it makes sense for investors to rollover the released monies into a new one

# Raiffeisen Certificates: focus on secondary market reflects educated client base

SRP profiles the activities of the Austrian certificate provider, which focuses both on the primary and secondary market in Poland.



Raiffeisen Certificates has been present in Poland since 2009, when it listed its first products on the Warsaw Stock Exchange (WSE).

From 2014, the bank started putting a strong emphasis on the primary market, mainly in cooperation with its network bank Raiffeisen Poland. Back then, it targeted mainly premium and private banking clients, according to Anna Kujawska (pictured), CEE country manager, structured products sales, Raiffeisen Certificates.

"There was a clear strategy with capital protected products mostly dedicated for the premium investors and partial capital protection products, namely bonus certificates and express certificates, placed in the private banking segment," said Kujawska.

However, when Raiffeisen Poland was sold to BNP Paribas in 2018, the cooperation was cancelled since BNP Paribas had its

own issuance programme, and Raiffeisen Certificates had to rethink its strategy.

"We decided that we wanted to focus more on the listed flow product segment, mainly on leverage products, but also tracker and discount certificates, which are open-ended products targeted at active investors that still fit in a passive investment strategy," said Kujawska.

To start with, Raiffeisen Certificates increased its educational efforts for retail investors in Poland, and as part of this initiative, the bank launched a new tool on its website, making it easier, faster, and more intuitive for the individual investor to search for the product that they are looking for.

Secondly, it researched which products would be interesting for those investors that invest via their own brokerage account directly on the stock exchange, and to keep its offering attractive, the bank started issuing new factors and turbo certificates.

"We knew that leverage products are very popular in Poland amongst self-directed investors, day traders – investors looking for short term investment opportunities in volatile markets," said Kujawska.

Part of their popularity is down to ING (the other issuer of turbo certificates on WSE, apart from Raiffeisen Certificates), which for many years has been focusing on educating Polish investors and promoting turbo certificates.

According to Kujawska, ING did a good job in reaching investors and explaining what turbo certificates are and how to use them.

Then, between 2019 and 2020, when Covid came, turnover for leverage

certificates listed on WSE increased 112% to PLN3 billion. "Financial markets became extremely volatile and the active investors who already understood the products grasped the opportunity presented to them by trading in leverage products," Kujawska said.

At the same time, Raiffeisen Certificates also decided to start issuing discount certificates and extend its product offer with tracker certificates, aimed at more risk averse investors who do not like leverage products or day trading.

"Those products provide an opportunity for individual investors who are self-deciders and more risk averse," said Kujawska. "We strongly believe that discount and tracker certificates can go hand in hand with ETFs."

## Primary market

ING and Raiffeisen Certificates are currently the only issuers listing leverage products in Warsaw. Other issuers, including BNP Paribas, Société Générale, Goldman Sachs, Santander, and Unicredit, are focusing mainly on the primary market.

"They do the classic subscription products and after the subscription period closes these products are then listed on the exchange," said Kujawska, adding that this is the model that Raiffeisen Certificates focused on for years but now it has shifted its strategy, it focuses on the secondary market as much as it does on the primary market.

"The primary market remains very important to us, and we would like to continue to collaborate with our current distributors Ipopema Securities and PKO Bank Poland, whilst also talking to other distribution partners as we are hoping to extend our network."

# // Leverage products are very popular in Poland amongst self-directed investors, day traders – investors looking for short term investment opportunities in volatile markets

## Capital protection

SRP's Poland database lists 152 primary market products worth an estimated PLN4.3 billion that have a strike date in 2023. Of these, 120 products (PLN3.8 billion) protect at least 100% of the nominal invested at maturity, as nowadays, helped by the increase in interest rates, many Polish distributors are focusing only on capital protection products, mostly digital bonds.

"They want to shorten the maturities as much as they can and if possible, they also want to provide higher capital protection: 105 to 107%," said Kujawska.

Capital protected products are reserved for the distribution in the wider banks network, according to Kujawska and requests from clients often follow the following pattern: 'We are targeting premium clients who have Priips SRI (summary risk indicator) level maximum of three. We are searching for a product within the capital protection payout profile. We need safety since we are targeting more risk averse clients.'

"This is a standard conversation we have with our distributor clients," she said.

"Capital protection products are number one when it comes to the distribution partners [...] however, if you really want to serve private banking clients that have different needs and you do the tailor-made products, then the autocall is still the number one product.

"Semi-annual observations, the shorter maturity the better – three years is very popular and with these products you must have a certain Mifid profile, because you are going into SRI five or six."

## Outlook 2024

In the Polish market, Raiffeisen Certificates' main goal is to extend its distribution network.

At the same time, the company wants to provide more education on secondary market products and be more visible for individual investors.

One of those initiatives was the Warsaw Structured Products Day, which it helped

organise on 26 September together with ING and WSE.

"We want to work hand in hand with bloggers, with market educators, be present at conferences for individual investors, do more online marketing, online communication, because we believe that these channels are not fully explored," said Kujawska.

"Of course, we are also keeping our fingers crossed that we are not going to be hit by a big recession, and that the central banks will be helping the markets, so that we can offer the best products possible, also compared to Government Bonds which currently provide a lot of competition for certificates."

Another Black Swan event would lead to a volatility spike on the secondary market, according to Kujawska.

"This brings a lot of potential for investors, but also some challenges for the primary market because the risk aversion of those investors would increase strongly," Kujawska concluded.

## DLA Piper advises IPF on structured notes in Poland

UK law firm DLA Piper has advised International Personal Finance (IPF) on the issuance and settlement of PLN72m (€16.6m) senior unsecured floating rate notes under the issuer's €1 billion medium-term note programme.

The issuance, which marks 'a strategic move' for IPF, diversified the firm's funding profile and unlocking new funding opportunities in the region, stated DLA Piper on 8 December. The notes have been admitted to listing and trading on Euronext Dublin. In addition to clearing through Euroclear and Clearstream, the notes are also cleared through KDPW, the central securities depository of Poland.

# Crossborder, Kintore partnership brings gold v FX strategy to AMC market

CrossBorder Capital has revived the Kintore XAU/FX strategy which was developed in 2015 via a new actively managed certificate (AMC), issued by UniCredit Bank.



The CrossBorder Kintore strategy which is owned by Kintore Limited is a systematic, bidirectional trading system that trades gold as a currency versus seven of the largest and most liquid currencies in the world.

The strategy is "trend following" in nature and fully automated in terms of trade implementation and execution - buy and sell signals are generated from price breakouts, volatility and other proprietary signals. The strategy is agnostic regarding position side and leverage is limited to a maximum of 2:1.

When the two firms started discussing their options to collaborate, they looked at the AMC and found that there were some substantial benefits for both companies.

"First of all, AMCs are easier to do, and they're quicker to do. From the investor's point of view, this has several very substantial benefits," said Christopher Cruden (pictured), managing director at Kintore Limited. "The first is that there are no extraneous add on fees in an AMC, because all of the other fees are, in effect, met by the participants - UniCredit, Crossborder and Kintore Limited - there are no formation costs to be reclaimed, there is no administration or audit or anything like that, because the bank does it all and they are taken from the known fees."

The other benefit, from an investor's point of view, according to Cruden, is that the AMC is a balance sheet item for the bank and therefore carries the bank's credit rating.

"This means that everyone pays attention. That provided great comfort to us as well as to end investors. In terms of being able to invest and redeem, it is done through an ISIN, because an AMC is a security and not a fund. This makes it far simpler to invest and disinvest for the investor, and far more liquid and transparent," said Cruden.

Cruden noted that AMCs are "streets ahead of the traditional fund structure which involves all sorts of form filling and expensive admin" and provide a far more convenient way for investors to participate.

"Cost, transparency, liquidity - these are the top concerns for investors, and that is why we found the AMC to be the best way to deliver our strategy," he said.

Crossborder Capital liked the strategy because it fitted its philosophy as a fund manager and a research house.

"We analyse central banks' balance sheets as one of our main investment themes and this strategy fits very well with currencies and gold," said David Straker-Smith, director of Crossborder. "Everything we do - macro-overlays, managing duration - it's all done by futures, options and spot. We don't do anything in the equity or private equity markets. The new AMC has exactly the same approach in terms of liquidity."

The most important thing, according to Straker-Smith, is that as far as the investor is concerned, AMCs are easy and cheaper to package and manage.

"There are no hidden costs, no custodian fees, no depository fees, no exchange fees, no regulatory platform fees, no board meetings, which cost yet another €100,000 a year," he said. "This is all done by methods of an exchange-traded fund managed by a bank. And from that point of view, it's simple, easy to use, and it has a lot of appeal both to our investors, and to the market in general."

//  
Cost, transparency, liquidity - these are the top concerns for investors, and that is why we found the AMC to be the best way to deliver our strategy

**Christopher Cruden**



# SIX structured products turnover up 20%, participation products in demand

Turnover for structured products traded on the SIX Swiss Exchange reached CHF689m [US\$797m] in November – up 20% month-on-month [MoM].



since May this year,” said André Buck (pictured), global head sales & relationship management at SIX Swiss Exchange.

November had 22 trading days with an average of 1,339 trades and an order size of CHF23,378 (October: CHF17,961). The number of tradable products increased by 2.33% to a total of 60,136 structured products.

“A major milestone was that for the first time, thanks to the listing activity of our 21 issuers, the total amount of tradable structured products on SIX Swiss Exchange surpassed the 60,000 threshold, three quarters of which are leverage products.

“That said, I’m also pleased that the expiry of close to 7,000 products on Friday 15 December was managed smoothly,” Buck added.

Some 8,221 new structured products were listed in November, an 11% increase from October and continuing the strong growth trend witnessed since July when 7,827 new products were listed. However, new listings were down by 30% YoY.

Eighty-eight percent of all new structured products listings were leverage products

while yield enhancement products made up 11% of the total structured products offering in November.

Thirty-six new participation products were listed during the month while capital protection products and credit-linked investment products counted nine and five new listings, respectively.

Participation products especially had a good month, registering a turnover of CHF306m from 6,560 trades, up 80% MoM – their highest volume since May 2023 (CHF313m).

Turnover for yield enhancement products and capital protection products, at CHF200m (from 4,649 trades) and CHF3.8m (117 trades), respectively, reached their highest levels since March 2023. Turnover for leverage products, at CHF174m, was down 22% MoM.

Compared to November last year, participation products and yield enhancement products both yielded a higher turnover, with all other segments registering losses. The highest YoY loss was seen in leverage products, for which turnover was down 56%: from CHF393m in November 2022 to CHF174m in November this year.

The increase was driven by a 59.8% rise in over-the-counter (OTC) transactions while on-exchange transactions were up 13.1% compared to October. Year-on-year (YoY), turnover was down 16% (Nov 2022: CHF819m).

“November saw financial markets picking up again, and investors were adding their favourites to their portfolios, so the broad choice of investment opportunities available on our market, for example via tracker certificates, contributed to higher interest in structured products on SIX Swiss Exchange, boosting trading volumes, which were the highest



A major milestone was that for the first time, thanks to the listing activity of our 21 issuers, the total amount of tradable structured products on SIX Swiss Exchange surpassed the 60,000 threshold

## Citi deploys new Morningstar SDG play

Citi has licensed the new Morningstar Transatlantic Sustainable Development Goals Select 40 Index on an exclusive basis to use it as the underlying of new structured products.

The new index has been developed using ESG data and risk ratings of Morningstar Sustainalytics, and is one of the first impact-oriented indexes designed for the structured products market, according to Morningstar. The index is mainly targeted for distribution across Europe indeed, according to Arthur Dorbessan, global head of retail indexes at Citi Multi Asset Group.

"As ESG investment becomes more targeted, it is fundamental to propose more ESG-aligned indices to our clients," said Dorbessan.

The launch also marks a new step in the collaboration between Citi and Morningstar Indexes "to build a differentiated ESG index range based on unique and innovative data sets, addressing our clients' evolving objectives," according to Eilee Winnett Seelig, head of ESG markets at Citi.

The Morningstar Transatlantic Sustainable Development Goals Select 40 Index offers exposure to UU and developed European companies contributing positively to the UN Sustainable Development Goals (SDG).

Constituent selection is based on ESG screens – companies must derive at least 25% of their revenue from one or more of the Sustainalytics Impact Themes which include human development, climate action, healthy ecosystems, resource security and basic needs.

# Eusipa urges EU Commission to improve product classification under SFDR rules

The European Structured Investment Products Association (Eusipa) has urged the EU Commission to take a truly holistic look at sustainable finance regulation, particularly regarding relevant investment products in its response to the European Commission's Sustainable Finance Disclosure Regulation (SFDR) review.

According to the association, the SFDR and other rules relevant for products in the sustainable finance space currently lack substantive alignment and partly have too narrow a focus. 'The current product-related rules though do not allow the sustainable transformation to have its full potential, as is also demonstrated by a rather low degree of "sustainable preferences" being currently voiced at the point-of-sale taking it from rather low numbers in the real-life distribution of financial products with sustainable features,' stated Eusipa in its response to the consultation.

Eusipa, which represents ten European structured products markets with an invested volume of around €500 billion, believes that product-related rules are the ones that 'mostly decide about the success on the objective of mobilising sufficient capital for the sustainable transformation of the EU's economy'.

In its response, the association points at the major deficiencies of the current SFDR which are rooted in the fact that the current regulation only looks at relevant products from a disclosure perspective and leaves some product formats/asset types completely unregulated (following its restricted product scope).

In addition, the SFDR rules and practical application are not harmonised with other major rulesets governing the distribution of financial products at the point-of-sale, according to Eusipa.

## Esma calls for clear product labelling

The European Securities and Markets Authority (Esma) has published a discussion paper on the digitalisation of retail investment services and related investor protection considerations on 14 December.

Among the products targeted are contracts for difference (CFDs), structured retail products or exchange traded products (ETPs). The firms offering these products may market them alongside 'typical' shares or bonds on the same webpage, listing them in the same tab or webpage, including presenting them as equal or similar alternatives, the EU financial regulator warns. Shares and

CFDs on those shares may be labelled with the same or a similar code in the transaction system.

'In such situations, it is very likely that the customer will make a mistake and buy the wrong financial instrument,' stated the paper. 'Furthermore, marketing communication may be structured in such a way that does not facilitate distinguishing whether the instrument marketed is a CFD, retail structured product or its underlying, because the advertisement or communication includes only (or mostly) information on shares or commodities that are the distributed product's underlying'.

# API



## Turn Data into Intelligence

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



### Retrieve

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



### Interrogate

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



### Incorporate

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

# Research Affiliates moves on from BNPP partnership, debuts multi-asset index play

The smart beta and asset allocation research company is targeting the indexed annuity space with its first multi-asset strategy.



The boutique index provider has introduced its first multi-asset index which will be traded through a fixed index annuity (FIA) in the US market.

With a five percent volatility target and 0.5% deduction rate, the Research Affiliates Global Multi-Asset Index (RAGMAE) has been designed to provide diversified exposure to global equities, bonds and commodities through futures contracts while utilizing a proprietary risk management process to manage volatility.

"The strategic underlying allocation utilises our forward-looking expectations for asset class returns, which is the underpinning of the index," Jim Masturzo (pictured), partner, chief investment officer, multi-asset strategies at Research Affiliates, told SRP.

Following six months in the works, the index went live on 24 November and caters to the FIA market where "there's a very attractive return scheme".

"The idea of being able to remove the downside risk, even if you give up some of the upside, is very attractive for many investors, especially as they think about long-term investing," said Masturzo.

In Q3 2023, the FIA sales in the US reached US\$22.6 billion, which adds up to US\$71 billion for the first nine months, up 23.5% compared with the prior-year period, as SRP reported.

The Research Affiliates Global Multi-Asset Index is scheduled to be traded through a FIA by an active carrier in the space early next year. The calculation agent is a third party, said Masturzo without disclosing more details.

The FIA will also mark the first structured

product tracking a Research Affiliates index in the US.

The California-based index provider is seen in the European structured product market with the FTSE RAFI Fundamental Indexes – a result of its long-standing alliance with FTSE Russell. In 2018, Research Affiliates partnered with BNP Paribas to market, distribute and support the implementation of the RAFI Diversity & Governance Strategy indices.

"The partnership was our first attempt to work with an investment bank that focuses on quantitative investment strategies with the aim to create a diversity focused investment strategy," recalled Joe Steidl, partner, Europe at Research Affiliates.

"Unfortunately, it got limited traction from the market and the partnership ended early last year," he said.

## Asset allocation

Founded in 2002, Research Affiliates, which specialises in smart beta and asset allocation, recorded US\$148 billion in assets linked to its investment strategies as of the end of 2022.



## If there's one thing that we all agree on, it's that diversification works

**Jim Masturzo**

**The Research Affiliates Global Multi-Asset Index: Futures universe**

EQUITY INDEX	10-YEAR GOVERNMENT BOND	COMMODITY
Australia (ASX SPI 200 Index)	Australia	Heating oil
France (CAC40 10 Index)	Germany	Brent oil
Italy (FTSE/MIB Index)	Italy	Gasolin
United Kingdom (FTSE 100 Index)	United Kingdom	Gasoil
United States (S&P 500 Index)	United States	Kansas wheat
Japan (Nikkei 225 Index)	Japan	Corn
		Soybeans
		Soybean meal
		Silver
		Gold

Source: Research Affiliates; Data as of 30 November 2023

Among them are two PIMCO mutual funds – All Asset Fund and All Asset All Authority, which posted respective net assets of US\$1.6 billion and US\$13.1 billion as of 30 November. Research Affiliates acts as the funds' asset allocation sub-adviser.

For RAGMAE, Masturzo noted its three core components: strategic allocations, tactical allocations and volatility management.

The excess return index offers exposure to 22 equity indices, 10-year government bond and commodity futures contracts where the allocation is based on the company's long-term

capital market expectations. The inclusion of commodities aims to provide a hedge against future inflation.

"We want RAGMAE to have a forward looking bias on what we think valuations and expected returns will be for various asset classes," added Masturzo.

On top of that, the index employs several tactical overlays that are much shorter-term signals and meant to capture dislocations in markets due to carry, value and trend factors.

"Also, we've generated our own risk management framework by building out our custom version of plain vanilla

volatility targeting to avoid some drawbacks," said Masturzo.

"If there's one thing that we all agree on, it's that diversification works," said Masturzo.

While equity indices are most well researched, tremendous investment opportunities lie in government bonds, currencies, commodities and even alternatives. "For us, it's exciting to look at the next generation of what FIA indices are," he said.

Research Affiliates expects to roll out another multi-asset index designed for FIAs early next year, according to Masturzo.

**The Research Affiliates Global Multi-Asset Index (as of 30 November 2023)**

PERFORMANCE	MTD	QTD	YTD	1 Year	3 Years	5 Years
	2.74%	1.01%	3.34%	1.04%	1.44%	3.18%
YEAR RETURN	2016	2018	2019	2020	2021	2022
	2.83%	-2.08%	7.42%	4.23%	5.72%	-6.31%
RISK SUMMARY	3-year volatility	5-year volatility	10-year volatility	3-year Sharpe ratio	5-year Sharpe ratio	10-year Sharpe ratio
	4.86%	4.97%	5.27%	0.3	0.64	0.73

Source: Research Affiliates

# HSBC to launch new multi-asset index, caters to annuity provider

The UK bank is gearing up for the launch of a new multi-asset index offering access to alternative investments in January.



“The HSBC Value Architect Index is a multi-asset index, and the idea behind it is to modernise a traditional 60/40 portfolio allocation by introducing alternative strategies to a traditional stock/bond portfolio,” David Odenath (pictured), global head of quantitative investment solutions (QIS) sales at HSBC, told SRP.

The incorporation of alternative investments to portfolios has been ongoing led by major alternative players like Brookfield, Apollo and Blackstone, according to Odenath.

“We aim to not only take the right alternative strategies that reflect a diversified portfolio, but also figure out the asset allocation while still having US equity and bond exposure,” he said.

The HSBC Value Architect Index, also referred to as the Brookfield Value Architect Index (BVARCH), has received the approval to be included as the reference asset of a new fixed index annuity (FIA) offered by American National Insurance Company (Anico), according to the insurer’s filings to the Interstate Insurance Product Regulation Commission in the US.

The index is a ‘next generation asset allocation strategy designed to offer diversification, growth and stability across the entire market cycle’, stated Anico, which was acquired by private equity Brookfield Reinsurance in May 2022, in the filings.

The multi-asset index, which has been developed by Odenath’s team, is set to go live in January with HSBC acting as the sponsor and IHS Market Benchmark Administration as the calculating agent.

The new index will add to Anico’s existing premium FIA suite which currently includes the S&P 500 Index, S&P MARC 5% Excess Return Index and Nasdaq 100 Index, according to the filings.

The FIA tracking the HSBC Value Architect Index is likely to deploy the crediting strategy of one-year point-to-point uncapped with a participation rate from

10% to 300%. A participation rate of 111% would lead to an option cost of 3.72% pa.

Anico is also considering other index strategies that include one-year total sum performance with monthly cap, one-year performance with specified rate, point-to-point performance with cap, point-to-point uncapped and point-to-point uncapped with interest rate spread, the filings show.

With an indexed term between one to five years, the FIA will have a minimum initial premium of US\$5,000 (US\$10,000 for non-qualified) and a maximum initial premium of US\$1m.

Anico wasn’t available for comment.

## FIA growth

HSBC has been strengthening its footprint in the US structured products market since 2018 when Odenath joined from BNP Paribas, starting from wealth channels before its expansion to the FIA space.

In October, the bank hired Richard Morris from Deutsche Bank as senior vice president, QIS sales with a focus on the FIA and registered index linked annuity (Rila) markets.

“The last three years has seen the use of custom indices in the FIA market reach upwards of 60%, although that has radically flipped in the last six

---

**//** The last three years has seen the use of custom indices in the FIA market reach upwards of 60%

---

to 12 months as rates have risen and par rates and caps on traditional indices have become more attractive," said Odenath.

The increasing push for asset allocation among crediting strategies demonstrates how each of these indices fit together in order to improve diversification and the probability of a positive credit, according to Odenath.

Athene Annuity and Life, which was the second largest FIA issuer in the first half of the year on the back of US\$5 billion sales volume, has partnered with HSBC to issue a suite of FIAs tracking HSBC's flagship artificial intelligent (AI)-powered indices since May 2020.

The underlying indices available include the AI Powered US Equity Index (AiPEX), AI Powered Multi-Asset Index (AiMAX) and the

AI Powered Global Opportunities Index 7% Volatility Controlled (AiGO7).

In April, HSBC exclusively licensed its AI Global Tactical Index (AIGT) to be used as the underlier of FIAs offered by Ibis Life & Annuity Insurance Co.

The AiPEX, AiMAX and AiGO are powered by EquBot and IBM Watson while the HSBC AIGT is supported by Amazon Web Services.

The UK bank is also preparing to introduce another US equity growth-oriented AI index in partnership with a new technology provider in March, according to Odenath.

There is currently no HSBC custom index deployed in Rilas as the underliers of these products are predominantly the S&P 500 and Nasdaq 100, but the bank is "a large

player on traditional hedging with the major carriers there", said Odenath.

"I think the lag in custom indexes being offered in Rilas vs. FIAs coincided with rates going up and FIAs becoming materially more attractive," he said. "The growth of Rila sales has slowed down this year as the caps and participation rates in the FIA market have gone up significantly."

The main challenge facing Rilas is the illustration of an index that has only been live for a handful of years and demonstrate its outperformance over the S&P 500 which has called the attention of regulators.

"If given the option between putting principle at risk for higher upside and having principle protected with lower upside, investors tend to prefer protection," concluded Odenath.

## MerQube enters ESG, partners with specialist data provider

The US index technology provider has launched a partnership with Impact Cubed to create bespoke next generation ESG indices.

US index technology provider MerQube has partnered with Impact Cubed, a provider of ESG data and investment solutions, to create bespoke indices driven by factual ESG impact data.

The index provider which has increased its visibility in the structured products market over the last couple of years and has seen products linked to its indices being used in Brazil and France in 2023, as well as the US, is seeking to respond to growing demand for customisation and factual accuracy around ESG investing.

"The reality is that in order to operate in Europe and other markets, you must have the ability to access ESG screens or data so that any investment can have a dimension that includes the ESG component," MerQube's

chief commercial officer, Roby Muntoni, told SRP.

"Our aim is to tie ESG metrics to a financial outcome. If we do it from the bottom-up instead of top-down, we're already being able to take some of these portfolios that already have a risk control or volatility screens and see how additional ESG screens can improve those outcomes."

Impact Cubed's ESG data as opposed to ratings and scores is factual and outcome based and covers every listed company globally. The company's datasets which span climate, EU regulation and SDG alignment among others will be used for the creation of indices "that are not only tailored to the specific sustainability criteria of investors but also equipped with the

fidelity necessary for sophisticated index-linked ESG investment products".

The company "has a long history of investment expertise, specifically on quantitative rules-based and evidence-based portfolio construction", according to Dr Arleta Majoch, COO at Impact Cubed.

"That's the legacy of our founding team," she said. "In addition to that, we've spent more than a decade working hands-on with our own ESG data.

"We have expertise in both of those tools and can bring it all together because we know the data inside out and we can model the 3D interplay between ESG, as defined by the client themselves, and expected risk and return dimensions."

# GS structured note sales continue downward trend in US

Goldman Sachs (GS)' sales of SEC-registered notes over the last nine months stands at less than half of 2022's volume.

The US bank has collected US\$3.59 billion from 962 structured notes registered with the Securities and Exchange Commission (SEC) in Q3 23, down 8.4% year-on-year, or up 4.2% quarter-on-quarter, SRP data shows.

Its quarterly sales which reached US\$9.37 billion for the first nine months of the year has declined nearly one third compared with the prior-year period - or accounts for 47.1% of the total sales recorded in 2022.

GS' issuance has also trended downward throughout the year. From Q1 23 to Q3 23, quarterly sales volumes declined by 55.3%, 25.7% and 8.4% year-on-year to US\$2.34 billion, US\$3.45 billion and US\$3.59 billion, respectively.

The US bank took 13.5% of the SEC-

registered structured note market in Q3 23 after J.P. Morgan, Citi and Barclays. For the first nine months, its market share shrank to 10.7% trailing J.P. Morgan and Citi.

On the distribution side, Merrill, the wealth management arm of Bank of America, and Citi were absent in Q3 23 after bringing one and nine structured notes the market, which raised US\$1.5m and US\$19.8m on GS' paper in the first two quarters, respectively.

The US investment bank continued to work with a group of seven external distributor groups led by InspereX in Q3 23.

From an underlying standpoint, besides stocks and equity indices, the bank's issuances were linked to hybrid assets (86 products), interest rate

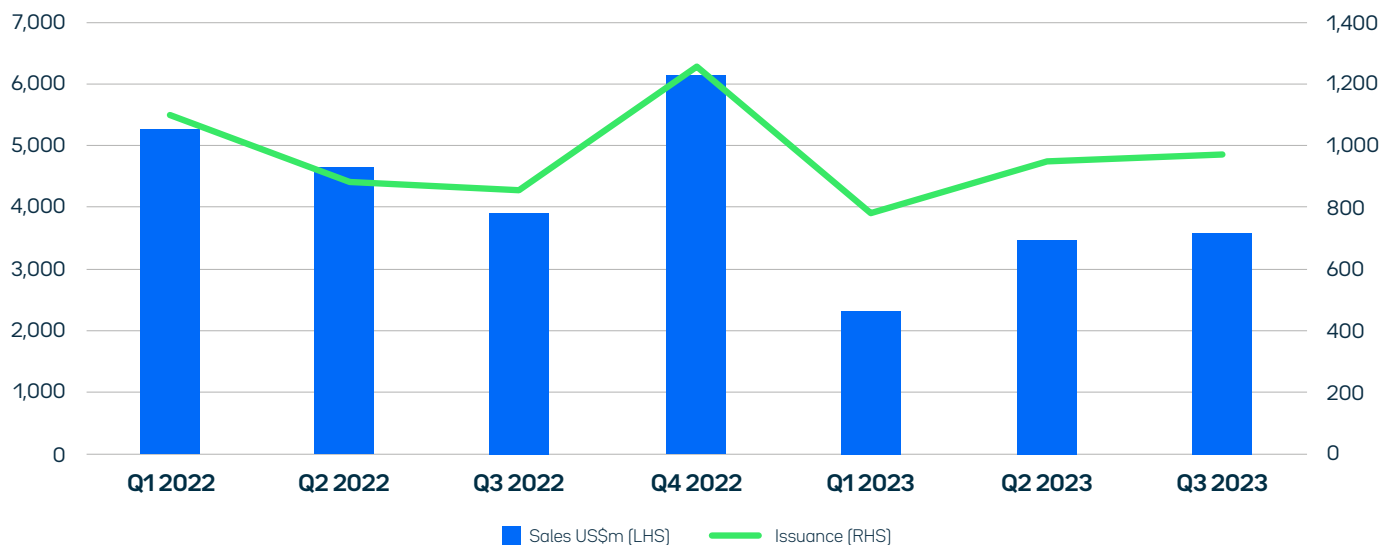
(34), exchange-traded fund (33) and commodity (one).

Among these, the Index-Linked Notes - S&P 500 (40057TQ72) appeared within the top 10 best-selling products with US\$97m - Simon acted as the third-party distributor. The principal-protected note was traded on 3 August offering the maximum payout of 119.7% upon maturity in two years.

In addition, GS Private Banking sold the Enhanced Participation Equity Note - Topix Index (Tokyo) (48133YD84) at US\$97.0m, which was issued by J.P. Morgan on 24 August.

GS was also behind five phoenix notes with memory features worth US\$2m invested by the new interval fund re-launched by SCG Asset Management earlier this month.

**Goldman Sachs: US sales & issuance of SEC-registered notes**



Source: SRP



# SCG AM pitches first US interval fund of structured products

The US interval fund invests in 31 autocallable notes on different single stocks that offer an average coupon of 24.3% pa, with a targeted AuM of US\$1 billion.



Following the relaunch of the SCG Asset Management's (SCG AM) Alternative Strategies Income Fund, SRP spoke to Ian Merrill (pictured), managing director at the US provider of derivative-based investment solutions, about the strategy's goal and its place in retail investors' portfolios.

The Alternative Strategies Income Fund, which is regulated under the Investment Company Act of 1940, is "the first registered fund in the US to use solely equity-linked structured notes for income" based on the firm's market research, according to Ian Merrill, president of SCG Asset Management.

"There are a number of separately managed account products that buy individual structured notes in the US, but this is a single actively managed interval fund with one Nasdaq ticker," the former Barclays banker added.

An interval fund is a type of investment company that periodically offers to repurchase its shares from shareholders, generally every three, six, or 12 months. The new fund offers quarterly repurchases of shares and requires a respective minimum investment amount of US\$5,000, US\$2,500 and US\$100,000 for class A,C, I.

Through its proprietary Selector model, the Alternative Strategies Income Fund seeks to provide low to moderate volatility and low correlation to the broader markets by investing in a portfolio of structured notes that provide high income with consistent quarterly distribution.

"The Selector is a quantitative proprietary system that combs through thousands and thousands of structured notes to source a basket of notes with a target income level," said Merrill.

The active management is provided by the team, led by CEO Gregory Sachs, based on its research on the underlying stocks before the final investment decisions are made.

With a track record since 2010, the Illinois-registered fund is a relaunch with brand new underlying assets and investment objectives. SCG Asset Management became its investment advisor in December 2021 when the fund predominantly invested in private real estate investment trust (REITs).

"[The fund] has distribution agreements in place with custodians already. The chassis of an interval fund makes sense for structured notes," said Merrill.

With a primary target on registered investment advisors (RIAs), the fund recorded close to US\$17m assets under management (AuM) upon the reconstitution of the fund that was completed on 1 October.

Ultimus Fund Solutions serves as the administrator, accounting agent and transfer agent of the fund

"We've seen very strong demand in the US for the defined outcome products," said Merrill. "The concept of 60/40 has morphed into multiple investing themes within a portfolio."

SCG Asset Management aims to scale the AuM to over US\$1 billion over time.

As of 30 September, approximately 87.6%



The fund is protecting against material down swings in a single stock and caters to investors who hold a moderately bullish view on the US equity market

of the assets, or US\$14.5m, were invested in a basket of 31 phoenix autocallable notes with varied maturities issued by a total of 15 banks in the US.

The US\$2.3m remaining was allocated to a money market fund – the First American Government Obligations Fund Class X, 5.26%.

The proceeds are added to the cash allocation when any structured note in the portfolio matures, is called, or pays a coupon.

“The fund is protecting against material down swings in a single stock and caters to investors who hold a moderately bullish view on the US equity market,” said Merrill.

The fund's portfolio had J.P. Morgan as the top issuer on the back of six structured notes among 15 issuers featured as of 30 September.

By sector, internet media & services, application software and renewable energy equipment were the most favoured by accounting for 13.0%, 9.8% and 7.4% of the entire structured note principal, respectively. A 3(a)(2) bank note (ISIN: US83370BD751) linked to the performance of Peloton Interactive shares offers the highest coupon at 35% pa. with Société Générale acting as the issuer.

Four of the structured notes have been replaced following their maturity after 30 September, including the Equity-Linked Notes – Coinbase Global (40057LZP9), Yield Note - Callon Petroleum (90279FWX5) and Equity-Linked Notes - Chewy (40057PJ37).

“The fund can be a high yield sleeve, as a complement to any growth investments. It's not meant to replace any one existing position but is simply a complementary piece of a diversified portfolio,” said Merrill.

“The challenge will be the education around the mechanics of internal funds and portfolio incorporation.”

SCG Asset Management, which had US\$129.6m total AuM as of 8 March 2023 as its ADV filing shows, has “a number of other fund ideas” for next year, including strategies for lower income level and growth.

Those funds will still seek to leverage its Selector model, which is set to cover more structures including worst-of indices, exchange-traded funds (ETFs) and non-US equities.

“We also hope to create white label solutions for clients who want a particular income level or target investment,” said Merrill, adding that the firm is developing separately managed account (SMAs) ideas that allow for customised index development.

#### Alternative Strategies Income Fund: structured note allocations\*

ISSUER GROUP	10-YEAR GOVERNMENT BOND (US\$)	%
J.P. Morgan	3,000,000	20.69%
Goldman Sachs	2,000,000	13.79%
Morgan Stanley	2,000,000	13.79%
BNP Paribas	1,000,000	6.90%
Société Générale	1,000,000	6.90%
Bank of Montreal	750,000	5.17%
BBVA	750,000	5.17%
Barclays	500,000	3.45%
CIBC	500,000	3.40%
Citi	500,000	3.40%
Credit Agricole	500,000	3.40%
HSBC	500,000	3.40%
Royal Bank of Canada	500,000	3.40%
Toronto-Dominion Bank	500,000	3.40%
UBS	500,000	3.40%
<b>TOTAL</b>	<b>14,500,000</b>	<b>100.00%</b>

\*As of 30 September 2023

Source: SCG Asset Management

# Defined outcome gains visibility as investors demand protection

Morgan Stanley and Goldman Sachs have launched new actively managed derivative-based ETFs in response to “strong client demand for downside protection, buffer and managed outcome strategies”.



managed outcome strategies,” Anthony Rochte (pictured), global head of ETFs at MSIM, told SRP.

“This corner of the US ETF market has more than doubled in size over the last five years, and this category of ETFs is driving a significant portion of continued industry growth,” said Rochte citing external data.

As of 31 October, each of the two derivative-based ETFs recorded net assets of US\$20.7m since the launch two weeks ago.

A batch of five actively-managed exchange-traded fund (ETFs) has been added to Morgan Stanley Investment Management (MSIM)'s ETF platform, which went live on 1 February.

Listed on NYSE Arca, they include two maiden derivative-based ETFs - Parametric Equity Premium Income ETF (PAPI) and Parametric Hedged Equity ETF (PHEQ) – in partnership with Parametric, which was acquired by MS in 2021.

The other three ETFs are fixed income strategies branded under Eaton Vance, an investment management firm based in Boston.

“We have seen strong client demand for downside protection, buffer and

Benchmarked against the Russell 1000 Value Index, the alternative income strategy (PAPI) seeks to provide consistent monthly income while maintaining prospects for capital appreciation with the Adviser and Parametric Portfolio Associates acting as the sub-advisor and J.P. Morgan Chase Bank as custodian.

To fulfil the objective, the ETF creates an actively-managed portfolio of dividend-paying equity securities that primarily include common stocks of US companies selected from the Russell 3000 Index and writes option contracts on the SPDR S&P 500 ETF Trust or on the S&P 500 to generate additional yield.

“PAPI utilises a strategic, rules-based investment approach to deliver a

sustainable source of monthly income that is derived from two distinct sources – qualified equity dividends and option premium income – and averages 7% to 8% per year while maintaining significant equity upside participation,” added Rochte.

With a monthly distribution frequency, the product had 850,000 outstanding shares and a daily volume of 351 as at the end of October.

In the meantime, the hedge equity strategy (PHEQ) provides capital appreciation while limiting losses experienced by investors through the incorporation of a put spread collar strategy, known as ‘buffer’.

“PHEQ is a low cost, diversified, efficient and transparent hedged equity solution that delivers a more consistent risk-return profile than typical ‘defined outcome’ products,” said Rochte.

The option strategy is constructed by buying a put option at a higher strike while writing a put option at a relatively lower strike price and simultaneously selling a call option that substantially offsets the cost of the put option spread.

The S&P 500 is the benchmark index. With a quarterly distribution frequency, the ETF had 850,000 outstanding shares and a daily volume of 118 as of 31 October.

// We have seen strong client demand for downside protection, buffer and managed outcome strategies

**Anthony Rochte**

Following the latest addition, MSIM currently has 11 ETFs on shelf, which together delivered total net assets of US\$495.2m as of 31 October.

## Tapping into growth

The assets under management (AuM) of US listed derivative strategy ETFs reached US\$96.4 billion at the end of September, an 85% increase year-on-year. The growth was facilitated by a 33% increase in the number of live derivative-based funds, which came to 363, according to Morningstar's data compiled by Global X ETFs.

MSIM's trackers come on the heels of a pair of defined outcome ETFs launched by Goldman Sachs Asset Management (GSAM) a week earlier.

The Goldman Sachs S&P 500 Core Premium Income ETF (GPIX) and the

Goldman Sachs Nasdaq 100 Core Premium Income ETF (GPIQ) are two actively managed ETFs seeking to generate income and growth through an options overwrite strategy.

Michael Crinieri, global head of exchange traded funds at GSAM, noted that the recent extended periods of volatility, have triggered new demand 'to enhance core portfolio holdings with products that can potentially deliver consistent monthly income, lower volatility, and offer a diverse source of yield'.

To generate income, both ETFs sell call options on a varying percentage of the market value of the equity investments in the portfolio. They may invest in flexible exchange options (FLEX options), which are customised exchange-traded option contracts available through the Chicago Board Option Exchange (CBOE).

As of 31 October, the GPIX and GPIQ posted net assets of US\$8.0m and US\$7.9m, respectively. GSAM had more than US\$30 billion AuM across 43 ETF strategies as of 30 September. Meanwhile, J.P. Morgan's flagship Equity Premium Income ETF (JEPI), which went live in May 2020, has gathered US\$29.1 billion net assets with 552,875,000 outstanding shares as of 31 October.

The fund has the same objective as Goldman Sachs' GPIX and GPIQ of providing income while maintaining prospects for capital appreciation.

The underlying strategy creates an actively managed portfolio of equity securities comprised significantly of those included in the fund's primary benchmark, the S&P 500 Index, and through equity-linked notes (ELNs), selling call options with exposure to the S&P 500 Index.

# US sales volume hits new record high

The US retail market has seen a quarterly issuance peak following a booming August in Q3 23.

A total of 9,664 SEC-registered structured notes were sold at US\$33.2 billion from July to September, a quarterly peak since the launch of the SRP US database in April 2006. The sales volume is up 12.2% year-on-year (YoY) and up 22.1% quarter-on-quarter (QoQ).

The boost is facilitated by a strong August when the highest monthly sales volume at US\$13.4 billion was collected from 2,608 products. Additionally, overall market issuance also reached a quarterly high following a continuous growth since Q4 22. It is 17.3% higher YoY and 12.5% higher QoQ.

The average sales volume stood at US\$3.4m as at the end of the quarter, a decrease from US\$3.6m YoY and an increase from US\$3.2m QoQ. SRP data shows that 96 of the products issued got withdrawn during subscription in the quarter.

J.P. Morgan remains the largest issuer by quarterly sales volume since Q2 23 after

conceding the crown to Citi in Q4 22. During the three months, the top issuer owns 18.2% of the market on the back of 2,158 products worth US\$6.1 billion, outpacing runner-up Citi, which collected US\$4 billion from 1,193 products.

Trailing closely behind is Barclays whose sales volume doubled to US\$3.7 billion YoY, a 1.6x increase QoQ. The volume comes from 915 products, translating to larger average sales volume at US\$4.1m compared with J.P. Morgan and Citi.

The UK bank is also behind the best-selling product year-to-date - Synthetic Convertible Notes - Alphabet (06741W7A2). The three-year autocallable note linked to the performance of Alphabet offers 100% capital protection and a coupon of 4% pa - it was sold at US\$450m in late August.

Among the group of 15 issuers active in the market following the exit of Credit Suisse in Q2 23, Canadian Imperial Bank of Commerce (CIBC) delivered the greatest

average sales volume at US\$10.9m despite a limited market share of 5.3% followed by Scotiabank's US\$9.3m. Specifically, CIBC issued 161 products at US\$1.8 billion in the US in Q3 23.

Second in the best-selling product ranking is Citi's Callable Fixed Rate Notes (17331AJC6) which was sold US\$260.1m by InspereX. With a one-year tenor, the note offers a fixed coupon of 6% pa. linked to unspecified interest rate. This product is also the third-best selling product year-to-date after J.P. Morgan's Callable Fixed Rate Notes (48133PDZ3).

Products with zero capital protection gained limited momentum despite the increase in the overall sales. They accounted for 70.0% of the entire issuance, or US\$23.2 billion, which is an increase from 63.3% seen in Q3 22 and a decline from 73.3% in Q2 23. In Q3 23, 901 products were issued offering capital protection of no less than 100%, which generated US\$6.1 billion, forming 18.4% of the total issuance volume.

## US Q3 2023: top 10 best-selling SEC-registered notes

DISTRIBUTOR	PRODUCT NAME	SALES (US\$m)
Barclays Capital	Synthetic Convertible Notes - Alphabet (06741W7A2)	450.00
InspereX	Callable Fixed Rate Notes (17331AJC6)	260.7
TD Securities (USA)	Callable Fixed Rate Notes (89114XB85)	150.0
JPMorgan	Callable Fixed Rate Notes (48130CBS3)	139.9
JPMorgan	Callable Fixed Rate Notes (48130CBN4)	134.2
RBC Capital Markets	Redeemable Fixed Rate Notes (78014RQA1)	119.5
Bank of America	Accelerated Return Notes - S&P 500 (13607Y451)	102.7
Citigroup	Callable Equity Linked Securities - Worst of Option (17291RXG2)	99.8
Goldman Sachs	Index-Linked Notes - S&P 500 (40057TQ72)	97.0
Goldman Sachs	Enhanced Participation Equity Notes - Topix (48133YD84)	97.0

Source: SRP

Underlying assets were still dominated by single index structures making up 30.3% of the whole issuance amount, or US\$10.1 billion. However, this figure represents a decline from Q2 23 when single index contributed US\$11.2 billion sales volume.

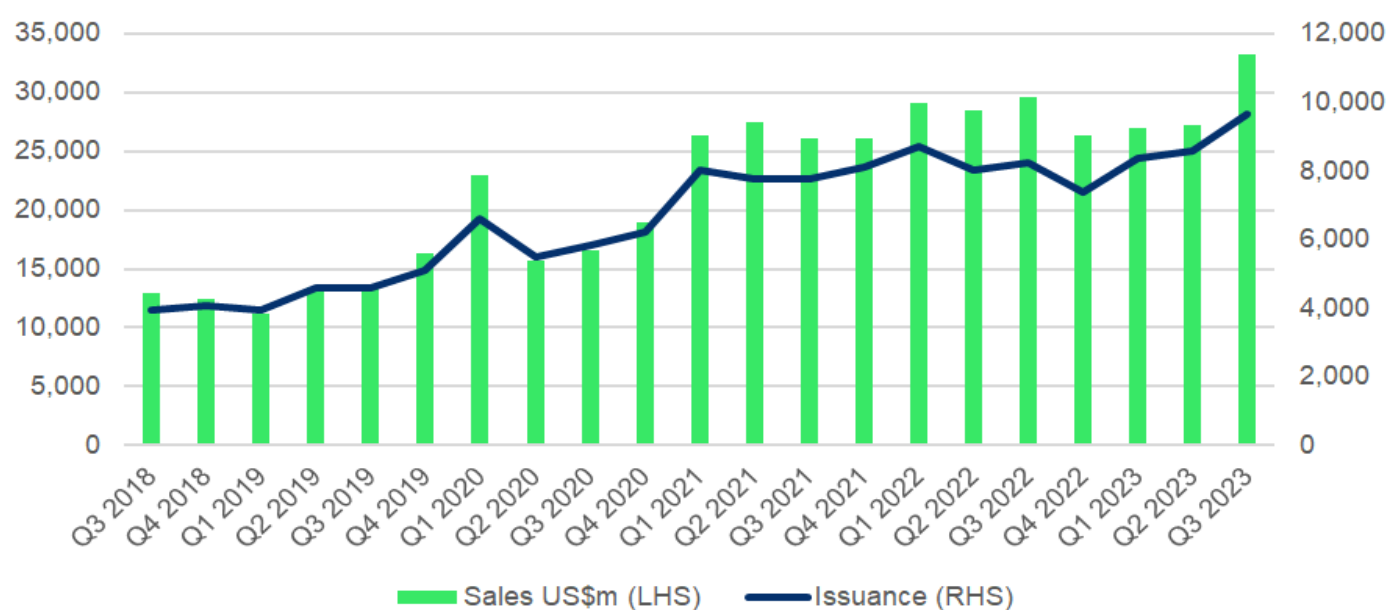
Interest rates continued to lose traction with the sales volume linked to this asset

dropping by 17.9% to US\$4.6 billion in Q3 23 compared with the prior-year period.

Meanwhile, index basket and single share structures gained further momentum in line with the overall issuance expansion YoY. The former generated US\$9.8 billion, up 30.7%, while the latter reached US\$4.4 billion in sales, up 76.0%.

The use of ETFs has also widened with 518 products sold at US\$2.0 billion in the quarter, representing an increase of nearly two thirds YoY. Hybrid assets have also grown and were featured across 637 products valued at US\$1.3 billion, a rise of 47.4% YoY. The rest of the issuance is tied to share baskets, commodities, credit and FX.

## US: sales &amp; issuance of SEC-registered structured notes by quarter



Source: SRP

# KIS Asia enters HK's derivative warrants market

The offshore arm of the Korean securities house has debuted its first two derivative warrants linked to the single stock shares of HKEX and China Mobile.



Korea Investment & Securities Asia (KISA) has listed today (11 December) its first batch of derivative warrants (DWs) comprising two calls on the Stock Exchange of Hong Kong (HKEX).

The Korean issuer has made its first foray into the biggest market for structured products globally with two call DWs tracking the HKEX and China Mobile respectively, both of which are issued at HK\$0.25/unit.

The KS-HKEX@EC2409A has a strike price of HK\$288.88 due on 27 September 2024, while the KS-CMOB@EC2406A has a strike price of HK\$70.28 due on 28 June 2024.

The offshore arm of the largest Korean securities house by net income based on third quarter earnings, which is fully owned by parent company Korea Investment Holdings, is the first Korean player to break into the listed structured product market in Hong Kong SAR.

"Our issuer ticker will be displayed as 'KS', which we hope will represent 'Korea's Standard'," Jangwon Seo (pictured), head of global derivatives at KISA, told SRP.

With the new listing, KIS also becomes the

18th active issuer in Hong Kong SAR's DW market following the most recent additions: Huatai International which debuted in June and DBS Bank which entered this segment of the market in 2021.

Seo, who previously served as an equity derivatives trader in both the Seoul and Hong Kong branches of J.P. Morgan, joined KIS in 2014 and relocated to Hong Kong in 2018 to start leading a team of four building an offshore equity derivatives presence.

The team's products first broke into Vietnam's listed structured product market in June 2019. It then began preparing the expansion plan for Hong Kong SAR in late 2021 – the securities house obtained the structured product issuer licence from HKEX in September.

The timing coincides with a challenging year for the Hong Kong stock market, which has seen leverage products negatively impacted, with the number of DW listed and the total value traded dipping to their lowest levels since the end of 2019, according to Seo.

"As a derivative warrant is a bull product ('call' dominant 'put'), the continuous decline of the overall stock market since 2021 seems to be the main factor," he said, adding that despite the current environment there are opportunities ahead as he believes this is very good timing for KISA as a new player.

"If the stock market shows an upward trend next year, a rapid recovery could occur, particularly considering the current historical low activity in the derivative warrants market," he said.

The decision to enter a new market stems from the company's strong performance in the Korean and Vietnamese warrant markets. According to Seo, KIS's issuance volume of equity-linked warrants (ELW),

equivalent to DWs in Hong Kong SAR, has made up around 91% of the ELW market share in Korea, up from 89% in 2022.

As of 5 December, KIS has listed 2,367 warrants on the market, or 55% of the overall market, according to data from the Korea Exchange. Of these, 1,602 are linked to equities (single share), and the rest are linked to equities (single index). In comparison, KIS accounted for 35% of the overall market when it comes to warrants listed in 2022.

Seo also noted the house will focus on blue-chip stocks as the primary underlying for its DW range during the first three months and then expand to indices, with the plan to enter the callable bull/bear contracts (CBBC) market later on.

From a hedging strategy perspective, Seo anticipates "the potential for synergy through future collaborations with KISA" as the parent company has a position in Hong Kong underlying assets.

On HKEX, 487 DWs were newly-listed on HKEX in November, down 39% compared to the same time last year, the latest monthly report by the exchange shows. Average daily turnover recovered on a monthly basis, recording HKD5.4 billion in November, up 12.1% month-on-month.

"With several stocks witnessing significant daily plunges, there is growing demand for higher-leveraged products that target short-term rebounds of the underlying assets," Seo said. "Additionally, we have noticed a trend of investors shifting towards higher strikes on calls, anticipating potential stock price recoveries."

Seo also revealed the house's potential plans to expand into the options market making and over-the-counter markets, finally creating a desk with a solid presence in the Hong Kong equity derivatives market.

# Japan's issuers await potential rates increase

Expectations of increased interest rates in Japan mean a double-edged sword for the domestic structured product market that has already taken a hit this year.



// The demand for structured products has noticeably diverted to fixed income products for institutional investors.

**Isao Ogawa**

Structured product issuers in Japan may see a shift in investors' appetite as the country's central bank hints at stepping away from its ultra-loose monetary policy in the coming year.

The Bank of Japan has adopted a negative interest rate policy since early 2016 (currently at -0.1%) to address deflation that has plagued the economy for decades.

The rate remains unchanged in contrast to most global central banks which started a series of rate hikes from early 2022 in an attempt to keep inflation down.

Yet with rising inflation and weakening currency, discussion on the need for tighter monetary conditions has heated up in the country, prompting issuers to mull over the potential impact on their structured product business.

A poll conducted by Reuters last week shows that six of 28 economists predicted that the Bank of Japan would phase out the loose monetary policy in January. The central bank held a two-day meeting ending today (19 December) that could be crucial in determining the timing.

Isao Ogawa (pictured), head of structured products for Japan at Crédit Agricole CIB (CACIB), said there are two ways to look at the potential impact of a rate increase.

"The positive effect would be enhancing the yield [and] variations of payoffs we can structure," Ogawa told SRP.

"The negative effect would be a shift of investor's appetite from structured products to vanilla products."

The investment banker is inclined to see the bright side as he expects the loan-to-deposit ratio to continue to sit "fundamentally low", especially for regional banks.

The loan-to-deposit ratio of Japanese banks has gone downward since the 1990s, staying flat shortly before the Great Financial Crisis, at a level significantly lower than that of banks in Eurozone. The domestic average was 62.8% in FY 2022, according to data compiled by Statista.

Morningstar stated in a research note published on 13 December that as inflation returns to Japan, the reallocation away from zero or very-low-return

savings toward higher yielding risk assets may 'finally start to gather momentum'.

Tomoyuki Sasai (pictured below), head of global markets sales for Japan at Société Générale (SG) thinks there's a high likelihood for the Bank of Japan to end its negative interest rate policy in 2024, but that is unlikely to "cause an extreme spike" in Japan's long-term interest rates, or the 10-year Japanese government bond yield.

Sasai forecasts lower inflation and long-term interest rates with an upper bound of 1.5% in light of the interest rate cut signalled by the US Federal Reserve next year and a pause of continuous depreciation for Japanese yen against US dollar.

The long-term Japanese interest rates stood at 0.66% pa. as at the end of November, following a decade-long high at 0.95% pa a month ago. In comparison, the long-term US rates came to 4.5% pa.

"If it stays at that level, most of the money that is currently in yen savings accounts will either remain in savings accounts, or some of it will be shifted into yen-

denominated time deposits, which will offer more attractive interest rates than before,” Sasai told SRP.

According to Sasai, for structured products distributed through banks, investors seeking higher yields will continue to flow into five-year JPY-denominated fixed annuity (FA) or fixed index annuity (FIA) products in which both offer a guaranteed rate of return.

“For products seeking higher returns than FA and FIA, I expect an increase in the number of newly launched JPY-denominated capital guaranteed funds, which can be structured at a lower cost than annuity products, compared to 2023,” he said.

“When long-term interest rates rise to around one percent, sales of vanilla notes and callable notes will grow as the balance between distributors’ fee and coupons received by investors will be balanced, making it easier for them to engage in the market,” Sasai added.

### Coping with new guidance

Beyond interest rates, the industry is also weighing on the guidance introduced by the Japan Securities Dealers Association (JSDA), a self-regulatory organisation authorised by the Prime Minister, in July on the sales of complex structured bonds.

According to CACIB’s Ogawa, the demand for structured products has noticeably diverted to fixed income products for institutional investors.

“I understand each distributor has adapted their internal rules based on the guidelines. Now, they are working to determine how they should ‘implement’ the rules for the actual business.

“The change is more difficult for equity products as they are categorised as complex products in general and the target end investors are mainly retails,” Ogawa noted.

Many local securities houses have halted distribution of structured notes. As a result, the inflows are anticipated to “remain sluggish”, according to SG’s Sasai.

A number of local securities houses are focusing on corporate and middle market clients who have a strong demand for structured products tied to foreign exchange rates and interest rates, said Sasai.

“I believe that the sales of structured credit products will grow. And retail investors seeking high returns will shift their needs from structured notes to structured funds,” he added.

SRP data registers 70 structured bonds issued in Japan year-to-date (YTD), 44 of

which are linked to domestic interest rate while the remaining to a basket of indices (12 products), single index (seven), a basket of equity shares (four) and hybrid assets (three).

There are also 480 structured deposits issued by 22 local banks YTD, led by Shinsei Bank and Mizuho Bank with each issuing 60 products, respectively.

### Looking ahead

For 2024, Ogawa expects rising interest rates and widening credit spread would both benefit fixed income products.

Meanwhile, Sasai believes there is still a strong potential need for products that generate stable carry with sales of equity volatility, “even if the form of the product has changed”.

“If the product is designed correctly, it is possible to create products, such as structured funds for example, with a higher Sharpe ratio than equity and lower correlation with traditional asset classes,” Sasai said.

“It will be interesting to see how regional securities companies compete with major securities companies in the distribution of structured notes to corporate and middle market clients and establish a new business model,” Sasai concluded.



//  
When long-term interest rates rise to around one percent, sales of vanilla notes and callable notes will grow

Tomoyuki Sasai



# Korean banks halt HSCEI-linked sales, implied vols unscathed by Vega bids

Five major banks in South Korea have now halted the sale of equity linked securities (ELS) linked to the Hong Kong Hang Seng China Index (HSCEI).

KB Kookmin Bank and Hana Bank announced earlier this month a temporary suspension of sales of HSCEI-linked ELS products to contain the potential for investor losses as the Chinese benchmark continues to decline.

KB Kookmin and Hana join NH Nonghyup Bank ceased sales of HSCEI-linked ELS from last month, as well as Shinhan Woori and NH Nonghyup which decided to halt sales of ELS products linked to the HSCEI at the end of 2022.

The HSCEI has been in negative territory throughout 2023 putting hundreds of products linked to the index at risk of potential principal losses as a further sharp decline in the index will trigger breaches on downside protection barriers on autocallable products.

Despite the risk of potential investor losses, the issuers of the products have not seen a significant impact on their trading books because most autocalls expiring are relatively short dated and are not exposed to implied volatility (Vega).

"We certainly haven't seen the long-dated vol impact that you would have usually seen with such a large sell off," a senior trader at a European investment bank told SRP. "What we do see is the upside vols being a bit more bid on the short term. That's simply because we're below a lot of the knockout levels and when a product knocks out, a dealer is short the coupon that they need to pay. So, they often hedge that short coupon exposure by buying short-dated upside."

Data from the Korea Securities Depository (KSD) shows that the outstanding balance of HSCEI-linked ELS in Korea amounted to KRW20.5 trillion (US\$15.5 billion) as of November. Out of KRW20.5 billion, Mirae Asset Securities' outstanding balance sits around the largest amount at KRW3.1 trillion

among a group of 21 local providers. This is followed by KB Securities at KRW2.8 trillion and Korea Investment & Securities at KRW2.6 trillion in outstanding balance.

According to the banker, about US\$11 billion of that amount expires next year with around US\$7.5 billion set to mature in the first six months of next year.

"We do see increasing implied vols on the short-dated upside on HSCEI coinciding with a reasonable amount of HSI call warrants buying which is also contributing to higher upside vols and lower skew," he said. "It's hard to tell how much of that is related to the autocallable market because anytime you are in an environment where HSCEI spot is selling off, and S&P 500 spot is going higher that tends to be a challenging environment for HSCEI vols to perform on the downside. For that reason, you tend to see skew coming under pressure."

Lower skew is a reflection of higher upside bids and no hedging pressure on the downsides.

"Normally when spot levels get quite close to knock ins, dealers would be short the downside vols and need to buy back Vega.

But we're not really seeing any evidence of that," said another senior market source.

"When spot initially sells off, you'll see dealers initially selling vol in order to hedge their books as they get longer Vega," he said.

"But when spot goes down close to knock-ins, the relationship flips, and they lose Vega and therefore need to buy vol in the market. At the moment dealers are buying Vega but the magnitude is small and is not impacting implied vols."

Looking at all the live autocall structures featuring the HSCEI index as part of a worst of basket, the situation remains unchanged over the last month as 25.8% of the live worst of structures linked to the HSCEI (3,694 products) are at more than 20% distance of breaching their barriers and 17.2% (2,461 products) are within 20% distance.

However, the number of autocalls within 10% of breaching their barriers and the most sensitive to future declines in the underlying has fallen to 23% (3,427 products) compared to 25% (3,608 products) in mid-November.

## Evolution: the Hang Seng China Enterprises Index (HSCEI)



Source: Google Finance

SRP data shows that of the 14,299 products (worth US\$4.3 billion) featuring a knock-in barrier protection only 5.5% percent (799 products) of worst of structures featuring the HSCEI index have breached their defensive barriers by less than 10% and 27% (3,917 products) have breached their barrier by more than 10%.

The current barrier levels for individual products and maturities for knock-in products as of 5 December 2023, range from 90% to 32% of the initial index level - the average knock-in barrier of 5128.32 is 8% below the close of the index price (5614.50) as of yesterday 12 December 2023.

### Lower issuance

Presently, the HSCEI stands at approximately 5550.90, more than half of its most recent peak of 12106.77 in February 2021.

In a September report, the Financial Supervisory Service warned that around KRW6 trillion worth of the balance of structured products reaching their knock-in

level will mature in the first half of next year – all of which come from HSCEI-linked ELS.

Meanwhile, the issuance amount of HSCEI-linked ELS has also seen a monthly-consecutive drop since September, down 13.6% month-on-month (MoM) to KRW402.3 billion in November, according to the KSD report. In comparison, the issuance amount in September and October stood around KRW513.7 billion and KRW465.5 billion, respectively.

“We haven’t seen as meaningful impact from Korean structured products hedging in two years,” said the banker, adding that the times where it’s been most noticeable has actually been when spot is rallying, “because issuers go through a lot of knockouts and need to sell futures and buy back implied vols”.

“We saw that dynamic at the start of the year because the expires were longer-dated. The average expire at that time was about 18 to 24 months.”

According to the source, the underlying basket is being determined by what HSCEI is doing as the worst performing asset.

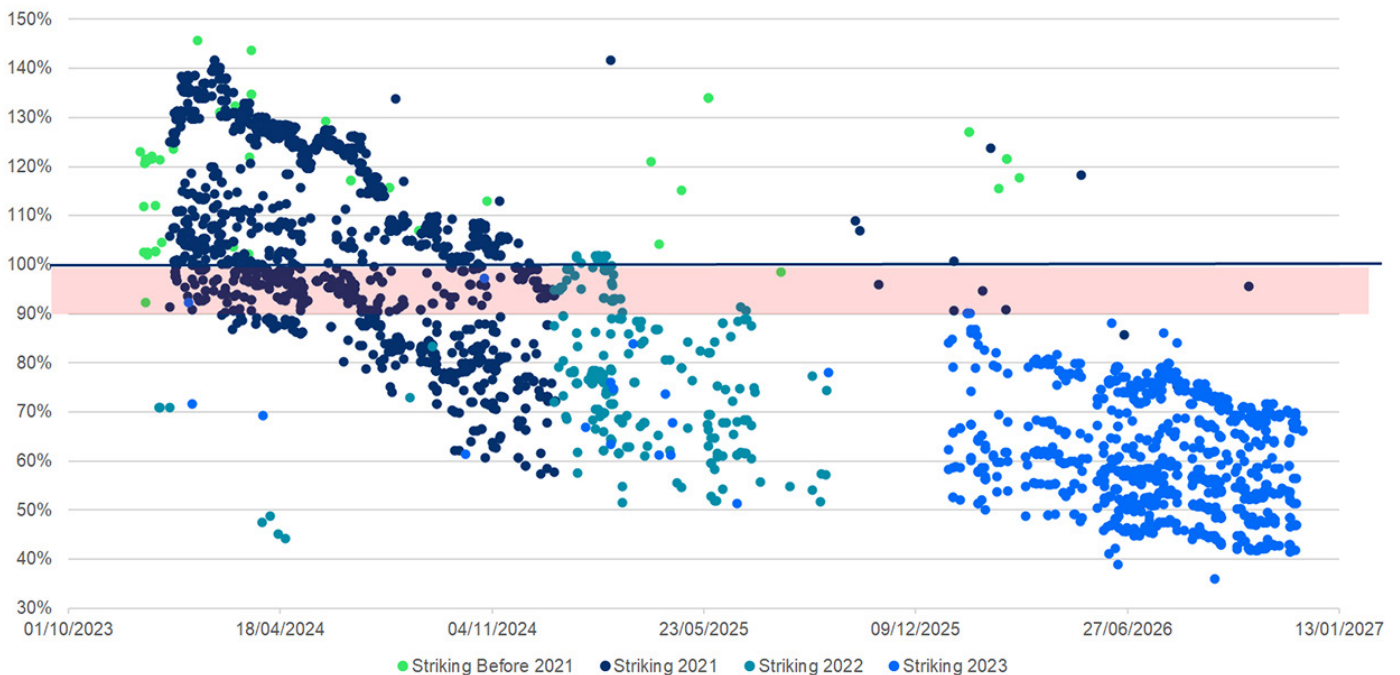
“There’s almost no Delta or Vega exposure to SPX and SX5E. In terms of the other kinds of products that don’t have HSCEI in them most, globally spot has done relatively well. Most of those products are trading above knockouts and have relatively low Vega,” he said.

“SX5E and SPX tend to be very liquid markets compared to Korean dynamics, so it doesn’t have to be as noticeable especially on rallies. Sometimes in SX5E, you’ll see dynamics kicking in when spot sells off. But it’s a bit less obvious on rallies and we certainly haven’t seen it that obvious this time.”

Despite not having to face hedging losses banks and brokers of ELS are expected to have to compensate investors for the underperformance of HSCEI-linked derivatives when the products mature next year.

Similar to previous crisis surrounding the autocallable market in South Korea, domestic regulators have hit out against local banks with a probe into local commercial lenders and securities houses over suspected ‘irresponsible sales’.

### HSCEI: maturity barrier as risk measure



Source: SRP

# UBS WM rolls out 'mobile' platform for structured products in Asia

The Swiss bank's new platform provides open architecture price discovery for structured products and execution on over 1,500 underlying across the major equity markets, according to the bank's announcement on 3 October.



UBS has debuted a new digital platform for structured products in which its wealth management clients in Hong Kong SAR and Singapore can customise and transact structured products such as equity-linked notes (ELN) and reverse convertible notes (RCN), via e-banking and mobile.

Designed in-house in 2022 and following a pilot phase in the region during summer 2023, the new digital platform was designed to provide commoditised structures in which clients can see the benefits of transacting themselves, Nicola Pantone (pictured), co-head unified global markets Apac at UBS, told SRP.

"Asia is very transactional," Pantone said. "It makes sense to allow clients to be self-directed by the most common and highly used structures we see in a day-to-day business."

The digital platform offers open architecture price discovery and execution on over 1,500 underlying across the major equity markets.

According to Pantone, prior to the launch of the digital platform, clients would have to call the client advisors to go through the details of the trade's price discovery, disclosures and transaction tracking offline, which would possibly take 10 to 30 minutes, as opposed to the enablement of confirming trades and bringing more efficiency.

Meanwhile, UBS' latest product development coincided with a surge in trading volumes on its multi-issuer multi-asset platform, Structured Products Investor (SPI), over the past year - the number of trades across all equity structured products traded on the SPI platform jumped 57% year-over-year (YoY), while the number of trades for RCN on the platform soared 78% YoY.

Over 30,000 structured products trade on SPI every year across all platform-supported products.

"Flow is back, and so has the number of clients discovering and using structure products increased significantly," Pantone said, noting the bank's increasing volume of trades over the last year.

Pantone also highlighted the growth of risk appetite and diversification across asset classes as one of the major overarching themes across markets - for example, started last year and continued this year, there is "a lot of interest in fixed-income related structured products or cash management for yield enhancements," he added.

The new platform is a part of the bank's digital ecosystem, which already offers trading of various products - such as cash equities, fixed income, foreign exchange, and funds - to its wealth management clients.

According to Pantone, once the service matures and adds more payoff structures, the bank expects to see around 30% of its trading volumes going through the digital channel as its aspiration target with no specific targeted timeline.

The bank hopes to have the number of activation clients on the digital platform reach a peak by the end of 2024 and eventually expand the platform at a global level, said Pantone.



It makes sense to allow clients to be self-directed by the most common and highly used structures we see in a day-to-day business

# Australia's Stropo sees record inflows, focuses on FCNs

Most transactions going through the Australian structured product platform come from private wealth advisers and brokers.



Australian structured product fintech firm Stropo is finishing 2023 on a high, with total inflows reaching over AUD300m (US\$196.6m), up 294% year-on-year (YoY).

In October and November alone, the firm posted AU\$80m inflow, with 70% of these transactions completed via private wealth advisers and brokers.

Australia, which has a large number of high-net-worth investors, has seen a growing interest in fixed-coupon notes (FCN) with a reduced strike level/price – meaning investors can effectively buy underlying stocks at a discount, according to Ben Streater (pictured), chief investment officer at Stropo.

"[Investors] might have their top 20 names of stock list that they think it's quite

overvalued," Streater told SRP. "Now they can just do an FCN over the top. It's an income stream for being patient, and if markets do fall but below those [strike] levels, they get to buy the stock at a discount."

In 2023 so far, Stropo has distributed 193 products with AUD162m, the majority of which are fully funded. A total of 480 transactions have been executed YTD.

In June, Stropo onboarded Morgan Stanley to roll out its first structured fund. Around 60% to 80% of the fund assets are being invested in FCNs linked to blue chip stocks with exposure to now nine investment banks in Stropo's current pool. The remaining funds are invested in specialist fixed income managers.

"The objective of that fund is to essentially outperform fixed income on the upside if markets are rising, but if markets are falling to outperform equities," Streater said.

The Stropo Global Income Fund, which is managed by Stropo Funds Management, has delivered a net total return after fees of 1.78% since its inception back in July.

"We are pleased with this performance against the MSCI world, which is up 2.53% and the Bloomberg Global Bond Index at 0.11% since the fund's inception,"

he said. "The fund also saw less vol at 4.75% versus MSCI World at 10% and six percent for the bond index."

## Alternatives

Research firm Statista's figures show that in 2020, the alternative finance market in Australia reached US\$1.15 billion, almost double the value recorded in 2016.

According to Streater, since Covid advisors in the Australian market have become more open to alternative investments when it comes to traditional asset allocation other than stocks and bonds.

"When we say alternatives, we're talking about hedge funds, private credit, private equity, and structured products because they're not the typical investment vehicle," he said. "Advisors are embracing the concept of alternatives, and we're riding that tailwind."

Looking ahead to 2024, while looking to scale the fund's distribution, the firm is planning to develop an internal pricing tool.

"We're keen to put that tool in the hands of the advisors and create an efficient pricing request for quote process," he said.

//

The objective of that fund is to essentially outperform fixed income on the upside if markets are rising, but if markets are falling to outperform equities



FOW is the go-to source of **critical reference data, news, insights and events** for the global futures and options community.

**25+** years

of bringing trusted intelligence to the derivatives industry

**9 / 10**

of the top global investment banks rely on our data

**3** flagship

conferences convening 750+ global industry leaders every year

**Ready to rethink the way you access F&O intelligence and data together?**

---

Find out more  
**fow.com**

# SRP Belgium Forum 2023: a tsunami of regulation

As markets go, Belgium has suffered more regulatory interference than most with its moratorium on the distribution of complex structured products and the FSMA's recommendation on the use of custom-made house indices.



"Do we believe that the retail client in this regulatory landscape in Belgium is sufficiently supported in making the right decision, or does it rather feel like an impediment?" asked Thomas Wulf, secretary general of Eusipa, during the Looking at regulatory developments affecting the structured products industry panel at the first SRP Belgium Structured Products Forum in Brussels on 19 October.

There is a tsunami of regulation, not only in Belgium but also at a European level, according to Tom Van Dyck, partner at Liedekerke.

"In three years, we have monitored 3,495 regulatory texts for Belgium and at EU level alone and we are not looking at lobby work, we are just looking at real text [...] It's three regulatory texts per day, every calendar day, it's a tsunami."

Antonio Celeste, director sustainable product management at Qontigo, believed that European retail clients feel that regulators are not entirely addressing the issue. "Clients see that there are good products, but in some cases the best products are for other clients such as high net worth individuals, pension funds, or clients from other regions," he said.

Celeste added that the recent sustainable finance disclosures regulation (SFDR) is a step forward.

"The fact that we have an Article 8 and Article 9 definition, the fact that clients are being asked how they want to invest according to their sustainability preferences, is good," he said. "Structured products are a very good product to convince retail investors to invest in a

sustainable way, we need to address this with the different legislators."

There is, however, room for improvement, especially as the guidance and the definition of Articles 8 and 9 has not been provided.

The mixture of legislation coming from a European level and from a national level, has resulted in a patchwork of regulation, said Van Dyck.

"Often there is some logic behind it, like for instance the ESG agenda, but it's very theoretical, costly, and there are some unintended consequences," said Van Dyck, adding that there is a clear political idea.

"You can admire how the politicians have pushed through ESG in just a few years.

In 2018, there was nothing and five years down the line we see that there is a lot. Is it good regulation? I don't think so. It is very costly in terms of regulatory mistakes that have been pushed through to the market and forced upon the market players."

Van Dyck referred to the SFDR, which has been implemented and is already being reviewed by the European Commission, with both the Commission and Esma chair Verena Ross stating: 'we are learning by doing'.

"It is very noble to learn by doing, but there is such a huge cost, a cost in terms of implementation, a cost also in terms of potential mis-selling, and as Antonio rightly pointed out, Article 8 and 9, they are disclosure regulation, but they are used as labels. Some key definitions are not clear," said Van Dyck.

According to Alain Flas, chief sustainability officer at P&V Group, the goal of the EU green deal is to finance the needed transition.

"Let's make sure that finance will help us to reach the goal of the ecological transition which is needed for all of us," he said. "With new regulation, selling products to the market, I am always asking: 'are we achieving this goal and is there an impact in the real world because of this regulation?' The answer so far is no."

Wulf added that politicians use the tools they have to push ESG: "They have political ambition, and they are using the financial service sector to deliver, or at least open the gates, hoping that investors are interested."

But the retail market for ESG is not that well developed.

"When we ask retail investors, why don't you invest in an ESG fund, they say: 'I don't know ESG very well, I may lose my money, or maybe the yield will not be so great'," Celeste said. "We don't realise that structured products are a Trojan horse for the retail market, because you can answer all those questions. If your fear is to lose money, you have capital protection, if your fear is to lose in terms of yield, you have yield enhancement. Unfortunately, this is not being understood by the different regulators in Europe."

In Europe, regulators have a tendency to find complexity where they could find an easy fix.

"The paradox is that we want to push forward ESG, but you have markets where the most sophisticated and climate related indices are not available to retail investors because of mechanisms, you can't use optimizers in some markets, and you have other markets where thematic funds are not available to retail clients," he said.

### Towards sustainability label

ESG aspects and the commercial performance of financial products has led to some voices saying Mifid is being hijacked by ESG. "Mifid / Priips is a bit abused by ESG," agreed Van Dyck. "The Commission, because they wanted to go so quickly, they just put an ESG layer over the Mifid distribution process and legally that leads to a very awkward situation."

For Flas, it is more about building transparency and creating positive impact, but whether that is understood by the retail investor remains a big question mark. "At least there is a will to better inform people being transparent and giving more information with the challenge of ESG data."

A Belgian initiative that has been a success is the Towards Sustainability label, which verifies all products against a strong quality standard to ensure seriousness and depth of sustainability integration.

The label comprises more than 800 products, 100 fund managers, 10 different countries, and €500 billion assets under management. The process is reviewed every two years.

"The last review again raised the bar in terms of achieving and it can help to better educate the customer and offering those customers real, sustainable products," said Flas.

"What I like about the Towards Sustainability label is that it is a self-restricting effort of the marketplace to be reasonable in terms of the products offered as sustainable," added Wulf.

Celeste agreed that the Belgian label is one of the best but it is not at the European level.

"If you discuss [the label] with French investors, they will find a lot of different topics where they do not agree, the same applies to German investors and those in the Nordics," he concluded.

//  
Let's make sure that finance will help us to reach the goal of the ecological transition which is needed for all of us

**Alain Flas**

# SRP Belgium Structured Products Forum

The first ever edition of the SRP Belgium Structured Products Forum in association with Belsipa took place on 19 October. It brought together 70+ senior executives from the structured products industry for a one-day event and networking at the Hilton Hotel in the heart of Brussels.





SRP BELGIUM FORUM



# 3AI: artificial intelligence can solve the problem of back-testing, improve sub optimal investment strategies

The company is leveraging 'deep factor' AI to help institutional investors in their search for alpha.



//  
The nature of our industrial deep factor machine learning process unlocks alpha, where others cannot find it

**Jacob Ayres-Thomson**

The founders of machine learning company 3AI embarked in 2018 on a mission to solve investing, leveraging machine learning to unlock alpha for the world's leading investment institutions.

Setting out to truly understand how markets work and what drives alpha started with the creation of bespoke algorithms for visualising factors in large equity datasets powered by NVIDIA GPU back in 2015, four years before 3AI was formed.

"These statistically confirmed "truths" of the markets and how factors work and interact led us to discover that the old way of factor investing cannot sort stocks as effectively as a machine learning deep factor approach," says Jacob Ayres-Thomson (pictured), co-founder and CEO at 3AI.

In today's big data-driven world, deeply engineering factors to expose the AI to an ever growing "sensory awareness" of the market is key. The deep factors are to an AI the same as our sensory data collection/generation devices in our body.

The new approach to smart investment, according to Ayres-Thomson, is based on

the premise that it does not need to be complex if investors have the right tools.

The company's Smart Alpha product range includes AI generated insights based on data and AI generated index strategies powered by 3AI's artificial intelligence engine for equities – the company's technology asks over a million questions to around 20,000 stocks listed across the entire stock market and over 300 factors.

"The nature of our industrial deep factor machine learning process unlocks alpha, where others cannot find it, even when using the same underlying datasets," says Ayres-Thomson. "Recent analysis for a major bank highlighted in a Smart Alpha index we generated for them that fully 105% of the alpha was coming from security selection and -5% from the five factors of the Fama-French, despite our AI looking at those factors."

A simple example with stocks, notes Ayres-Thomson, might be that of positive price momentum and valuation.

"The cheaper stocks are, generally, the more upward price momentum drives

future alpha, presumably an increasing indication of valuation reversion," he says. "However, for very expensive stocks, positive price momentum's impact on future alpha is minimal and can even be negative, indicating a stock that has "topped" out."

## Ethos

The name 3AI comes from the concept of using artificial intelligence as a third eye (a third AI) for the outer world of data, evidence and things - whereas the esoteric third eye in spiritual practices relates to increasing awareness of the inner world of feelings, thought and experience, typically enhanced through meditative practice.

"We came to realise that AI and machine learning are a similar thing but for external (outer sight) observation i.e. an evolutionary extension of the neo-cortex that processes rational thought," says Ayres-Thomson.

"Our early development of GPU computing visualisation methods around 2015 enabled us to look at large datasets

in equities and reveal statistically valid insights aka fundamental truths of the equity market."

These revealed a deeper onion layering of the words spoken by Warren Buffett & Charlie Munger of Berkshire and also raised questions, "which sparked a man-machine learning symbiosis where truths reveal questions which raise the bar of thinking and the search for higher level truths," according to Ayres-Thomson.

"Machine learning looks far deeper into data than is humanly possible and basically creates a hyper accelerated learning symbiosis process," he says.

"So, I tend to think of artificial intelligence as a third eye of cognition. After all, all machine learning and every algorithm began as human thought, it is just sped up and pushed to scale in a way a human never could. My investment intelligence has undoubtedly been accelerated by my symbiotic relationship with machine learning."

3AI is not a data company in the traditional sense, but a provider of alpha that happens to be delivered in the form of data.

"That data can be alpha predictions and sensitivities or even fully baked strategies / indices i.e. portfolio holdings and rebalances," says Ayres-Thomson.

## Target market

3AI's offering is aimed at banks, insurance companies, wealth and asset managers, hedge funds and other institutional

investors as the company's strategies can be used to develop new products such as structured products, ETFs or any kind of fund seeking to generate alpha.

"Our offering can be used on the creation of products as well as on customisation and sophistication of investment strategies," says Hassan Salamony (pictured below), co-founder and COO at 3AI. "Our most sophisticated hedge fund customers say they are seeing 50% additional alpha than they observe from similar underlying datasets.

"We believe this to come from the combination of engineering our deep factor equities dataset and our deep factor machine learning, which were designed to unlock a much more granular company level perspective of shares than quantitative investors traditionally observe. Thus, the 3AI system has learnt to become a proficient investor, accountant and trader, gleaning key information from all three aspects."

For structured products desks and wealth managers doing ETFs, 3AI can supply a fully baked strategy optimised for the thematic, constraints and objectives of investors and accounting for AuM dependant transaction costs, etc.

Systematic US hedge funds have been the quickest adopters of 3AI's alpha forecasts, as they have the in-house teams to verify the efficacy of their work as well as adopt it into their systems.

"Having over three years of live data has opened us up to the hedge fund community we serve. This was not what we

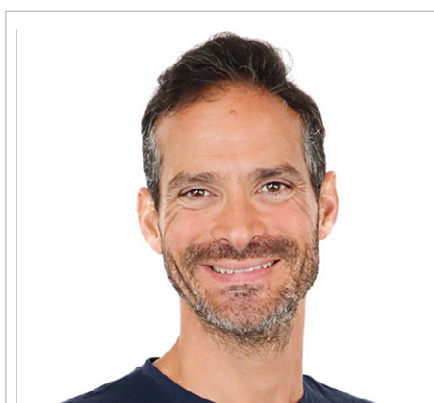
anticipated initially," says Ayres-Thomson. "We anticipated that they already had all the data and the majority of the insights that we have.

"Our initial target market was more institutional capital, slower capital and a longer investing horizon. And that remains the core focus for us. However, what we glean from the more advanced hedge fund community and those relationships only further serves to fuel our insights and development path going forwards."

The second quickest adopters of 3AI's offering are QIS desks in investment banks which came as a further revelation that insights as an alpha product "are solving the problem of back-testing of sub optimal investment strategies that are often failing to outperform industry benchmarks such as the S&P 500 and the like," according to Salamony.

"With a framework like ours, we can address all those challenges," says Salamony. "The QIS teams at large global investment banks have been well suited to validate what we do. They have been quick to adopt, and that's where we have developed partnerships and distribution agreements for product we create bespoke to their requirements."

Ayres-Thomson concludes that the consumers and the demand for it is growing and in addition to that, "you have a nimbler way of customising portfolios, customising indices, all of which driven and powered by the framework and the approach but sitting on top of an industrial grade pure Alpha product focused on generating investment returns".



// Our offering can be used on the creation of products as well as on customisation of investment strategies

**Hassan Salamony**

# IVM Markets: advancing the pre-auction process

The UK based fintech is seeking to leverage artificial intelligence to bring further optimisation to the relationship between issuers and distributors.



It should be possible to have a personalised investment idea for every single client

**Volodymyr Gubskiy**

IVM Markets was launched in 2018 by CEO Volodymyr Gubskiy (pictured) and CTO Ildar Farkhshatov, two former structured products bankers with close to 20-year experience spanning across Merrill Lynch, RBS and Deutsche Bank.

Its AI SaaS Structured Product Suite aims to shift the power dynamic between issuers and distributors allowing the buy-side to find the most optimal structured product idea for their client's portfolios before engaging with manufacturers for issuance.

The company's software has a subscription-based fee model and is tailored to the needs of multi-issuer platforms, brokers, private banks, insurance providers, asset managers, advisors & wealth managers.

"Our AI powered search and recommendation engine can create more and better-quality idea flow for all the players in the structured products value chain," said Gubskiy. "This idea flow goes from advisors to their executing marketplaces, brokers, asset managers and private banks to the issuer banks that manufacture the structured products resulting in more deals for everyone."

## Increased customisation

The SaaS company sees structured products as the ultimate vehicle for personalised investing because they are the only type of security that can adapt to different investment requirements and risk-reward profiles.

"In theory, it should be possible to have a personalised investment idea for every single client every single time they buy a structured product, but it is not possible practically with the old set up," said Gubskiy.

As minimum ticket sizes continue to drop distributors are converting into multi-issuer platforms, which have facilitated electronic trading of structured products and enabled distributors to get prices from 20 banks within five minutes and click to trade to buy the final product.

The problem, however, is to establish what these distributors want to buy before they send an RFQ, according to Gubskiy.

"Imagine going to Amazon to buy shoes and you have millions and millions of products available, but you don't have any

search or recommendation engine to search for 'I want running shoes for wet surface and having to specify each shoe variation one by one until you find the correct one. It would not be an efficient process," he said.

Using that same example, in the structured products space the only thing distributors can do is to try one and wait a few minutes for each structure being considered.

"That problem is being solved through manual human labour doing trial and error which is not efficient," said Gubskiy. "And if you don't have access to a multi-issuer platform you have to do the same trial and error one by one but now across 5-10-20 single issuer portal where each portal has a different price for the same shoe. It becomes simply impossible for a human to find the optimal combination with higher upside and lower risk."

## Improving pre-auction

IVM's goal is to demonstrate to the buy side that it is impossible for a human to know, guess or memorise which combination of underlyings, terms and protection will deliver the highest upside with the lowest risk.

"With our analytical tool distributors can find higher upside simultaneously with lower risk products for their clients' portfolios every single time a client buys which will enable the buy-side to negotiate better prices using data analytics and increase efficiency," said Gubskiy. "We believe AI can provide a more effective way to access product ideas before and RFQ is submitted."

Additionally, AI distributors can type in any natural language thematic question and IVM's AI which uses search engines to incorporate analyst's consensus and negative news checks "will find very quickly the stock / index list for the thematic and risk profile they are enquiring about and provide an explanation of why it fits into a particular profile".

"If we think of an RFQ with 10 stocks, this [eventually] means

more than 1,000 baskets/maturities / protections to price and to get the pricing on any variation on a multi-issuer platform will take around five minutes - by email it's half a day," said Gubskiy. "Therefore, finding the optimal combination is simply not possible for a human.

"With our technology, distributors can see each time that it is not possible to use a volatility screener or gut feel to know what will results in the best terms which can come from long maturity / short maturity or middle maturity."

The same applies to barriers which may add value or not with the investor just taking risk and not getting paid for it; or certain basket which may produce a visually high coupon, but the stocks have a low analyst consensus target and experience drawdowns of 50-80%, which will expose the investor to money loss when the market turns.

"Most people use some volatility screeners, spreadsheets, issuer tools and search engines to get to that point," said Gubskiy.

"But there is a higher chance they will lose money when the market turns. Our technology aims at the highest coupon but with the highest protection too. The optimal result comes from using AI based stock research to arrive at a high conviction list of stocks that the client is comfortable with first."

Once the initial selection stage has been completed IVM's AI engine deploys "a powerful optimiser to choose simultaneously the combination of basket and maturity and strike and/or barrier and comparing all this with the analyst consensus target for the basket and the historical drawdown vs protection".

"With IVM's AI the buy-side can arrive at a higher upside with positive analyst consensus and the historic drawdown being less than the protection chosen," said Gubskiy. "This journey is what leads to higher upside and lower risk for clients, and clients are interested to see the journey not only that final price that they got from issuers. All these things you can find inside the IVM platform in no time."

## Solactive, KB Securities collaborate on ETNs

Solactive has for the first time partnered with KB Securities for the listing of two exchange-traded notes (ETNs) in Korea on 15 December. The ETNs – KB Japan Robotics TOP 10 ETN and KB Japan Consumer TOP 10 ETN – track the Solactive Japan Robotics & Machinery Index and the Solactive Japan Consumer Index, respectively. The former index is derived from the Solactive GBS Japan All Cap with constituents involved in various businesses, including electronic equipment/instruments, industrial machinery, computer peripherals, electrical products, and electronic production equipment.

The Solactive Japan Consumer Index also tracks ten Japanese companies selected from eligible constituents in the Solactive GBS Japan All Cap Index and classified within consumer-oriented categories like entertainment, retail, home/care products, and food/beverages. 'Japan's robust and revived economy and its traditionally strong position in robotics and consumption have become strong growth opportunities again, internationally,' said Timo Pfeiffer, chief markets officer at Solactive.

# QuantCube: scalable data - the new building blocks for next generation indices

The French company which has more than 100 staffers - most of them data scientists - is leveraging the quality of its data to build its reputation and expand its activities in the capital markets.

//



//

We can deliver short-term analytics to replicate hedge fund-type investment strategies,

Alternative data specialist QuantCube Technology, which is celebrating its 10th anniversary, had a major breakthrough in the structured products market this summer after entering into a partnership with MSCI to supply its real time macro-economic data for the new MSCI Economic Regime Allocator Index series which allocates assets to different market subsets based on the current economic regime.

Founded by COO Ghizlaine Amrani and CEO Thanh-Long Huynh (pictured), a former quant trader at Société Générale and one of the first on the French bank's New York trading floor to deal with quantitative investment strategies (QIS) for equity derivatives trading back in 1998, the firm's goal is to help build products by leveraging Artificial Intelligence and Big Data.

Initially, QuantCube focused on the development of next generation investment strategies with the launch of a sentiment index "using the emergence of alternative data, but this rapidly transformed into QuantCube becoming a cross-sectoral research and development company".

"At the start, it was a very simple sentiment index that contains

a number of words, positive and negative, but it showed us that there is information in what you call alternative data," said Thanh-Long Huynh, co-founder & chief executive officer.

"I have always been fascinated with how to extract the value from market prices using statistical arbitrage - [Huynh created his own statistical arbitrage hedge fund in Chicago in 2000]. One thing I have learned over the last 15 years is that in order to create financial performance, it's always better to have access and to analyse information before everybody else."

Huynh notes there are three types of alternative data. One includes textual and social media data; a second type comprises satellite data; and the third type which is known as geolocation or massive data, such as telecom data.

QuantCube was created with the aim of analysing all those new types of data sets for capital markets.

"I could see direct use cases for this kind of alternative data straight away. We started with single equity stocks and then we expanded to the macro space in 2014," says Huynh.

## Use cases

One investment strategy developed by the alternative data provider measures job openings at each company in the S&P 500 index and aggregates that data at a sector level.

“The idea was to invest in the sector which records the most openings and divest from the sector that isn’t hiring,” says Huynh. “This approach allowed us to build up employment data in real time as well as other datasets such as real-time macro, real-time economic growth data, real-time inflation, and real-time international trade data in real time.”

From that initial activity, the company derived two business models - one as a data provider with a licence fee structure targeted at global macro hedge funds; and the other focused on product development which is based on a fee-sharing set up.

An example of the latter is the recent partnership with MSCI to create a new index series which include US and world versions as well as optimised risk control options of five and 10% targeted at issuers of structured products.

### **Do you see scope to become a provider of intellectual property, developing your own indices, and selling them to issuers of investment products?**

Thanh-Long Huynh: Honestly, I think we should focus on what we’re good at. And what we’re very good at is data analytics, analysing multiple data sets – it could be satellite data, textual data, etc. And then it’s about how to partner with end users who could use that kind of analytics to develop new products. We want to be embedded in the market and act as a building block for new investment strategies that can be delivered in different ways.

With MSCI, for instance, we discussed different potential

applications based on demand for exposure from different clients – China, Japan, commodities, cryptos. There is definitely significant demand for products that are built with granular data.

We are using AI algorithms extensively and have four different analytics teams - one AI team for computer vision, one for natural language processing, an econometrics team and a quant analytics team.

### **Are there any other potential applications for QuantCube’s data in the structured products market?**

Thanh-Long Huynh: Not only can you do an index more dedicated to long-term investors, but there is also scope to deliver short-term analytics to replicate hedge fund-type investment strategies where the asset manager is using different types of data sources.

Our data can be used to develop underlyings for structured products targeted at asset managers and pension funds, and also to develop hedge-fund like strategies to underlie structured products.

### **What data could be valuable to build strategies that deliver in the current environment?**

Thanh-Long Huynh: We have been very good at estimating inflation in real time, because we’re able to estimate different components of inflation which has enabled us to anticipate what the Fed is going to do because it looks at specific components of inflation – core service inflation, for example.

Another macro factor that is very important is economic growth, especially the estimation of economic growth in China because you have much less data available on China compared to the US. We’re also very good at estimating the current state of the economy in China.

## Horizon supports KIS in listing its first structured products in HK

Horizon Software, provider of electronic trading solutions and algorithmic technology for the global capital markets, is behind Korea Investment & Securities Asia’s first derivative warrants market making, the French company revealed on 14 December. The subsidiary of Korea Investment Securities (KIS), an active issuer of structured products in Korea, entered the space of structured products listed on the Hong Kong Exchange (HKEX) as the first Korean issuer last week.

As its longstanding ETF market maker customer, KIS Asia has been utilizing hosted and managed services on Horizon’s H3 trading platform since March 2021.

‘We have full confidence that the utilization of the Horizon System will further augment our trading capabilities, enabling us to achieve greater success and expand our market presence in Hong Kong’s derivative warrants space,’ said Jangwon Seo, head of global derivatives at KIS Asia.

# OrBit Markets: piecing the crypto structured products puzzle will require collaborative contributions

Crypto investors pivot to structured derivatives amid traditional source of yields.



//

The potential for crypto-linked securitised products is significant, although the market is currently in its early stages of development

Accumulators have gained traction with crypto asset managers this year as the product fits with their long-only mandate while offering significant savings versus basic strategies, co-founder and CEO Caroline Mauron said.

The post-2022 cryptocurrency meltdown has offered the industry what Caroline Mauron (pictured) called “a refresher in all aspects of risk management” – from market and liquidity risks to counterparty credit and legal risks.

And that has brought many investors, especially in Asia, taking advantage of “bespoke structured payoffs to build positions” this year, she told SRP.

Mauron is the co-founder and CEO of OrBit Markets, the Singapore-based institutional liquidity provider of cryptocurrency options and structured derivatives. Before embarking on this crypto journey in 2022, she served as the co-head of FX for Apac and a former FX exotics trader at Deutsche Bank.

In August 2022, OrBit Markets announced that it raised US\$4.6m in an angel funding round led by Matrixport. Now it pushed its product offerings, being the first to execute a large number of new payoffs, such as accumulators, target redemption forwards, and volatility swaps, and became the liquidity provider – crypto or otherwise –

who is active both on an over-the-counter (OTC) bilateral basis and as a high-frequency screen market maker, according to Mauron.

Following the rollercoaster-like market last year, she noted that market participants have been “laser-focused” on mitigating various sources of risks. “Options have been seen as a natural tool in these risk management activities,” she said. “We have also been very encouraged by the resilience of the crypto ecosystem as a whole,” she added.

Mauron also shared her observations of the growing interest in accumulators this year, the wider adoption of volatility strategies by crypto traders, and the outlook of the crypto structured product industry.

## What are some of the structures or payoff types that have gained traction this year?

Caroline Mauron: Accumulators are a popular structured derivative in traditional asset classes, which allow investors to accumulate an asset at a pre-agreed price below the initial price of the asset at the inception of the trade. The discount to the spot is achieved by combining leverage and a knock-out feature. They have gained a lot of traction this year in crypto, as an attractive alternative to dollar cost-averaging strategies, in particular in alternative tokens. The



high level of volatility risk premium generates a significant discount and the longer-term of the product (typically 10 to 20 weeks) minimises market impact.

Crypto asset managers have a mandate to build a portfolio of tokens. After they handpick the tokens which they expect to outperform, they typically build the position via the so-called dollar cost averaging (DCA) which consists of spending a fixed amount of dollars every day or week to buy the tokens. Accumulators offer an attractive alternative to DCA as they allow investors to accumulate the tokens at a discounted price. This year's range bound market has created a perfect environment for accumulators to outperform DCA. Accumulators have become very popular among crypto asset managers as the product fits well with the asset managers' long-only mandate while offering significant savings versus basic strategies.

Another derivative payoff that has been popular among investors is the volatility swap. The product offers one of the purest methods to speculate on volatility, without committing to a specific price direction. As compared to the more traditional method of buying or selling vanillas and continuously hedging the directional sensitivity by trading futures, it requires no further maintenance throughout the trade lifecycle, potentially reducing total transaction costs.

**Speaking of the market environment, what are the overarching themes you've observed in the industry this year? Have investors' risk appetite, demands, or views changed over the past year or so?**

Caroline Mauron: Since the collapse of Terra-Luna last year, crypto investors have adopted more realistic targets of returns as they realised that high yields offered by some crypto platforms were not sustainable. Investors no longer aim at 100x or 10x, instead, they turn to more traditional sources of yields such as structured derivatives. After an initial slump post-FTX, the market bounced from the low in Q1 this year and has since been very stable. Structured derivatives have performed very well in this market environment.

Given the lack of clear trends in the broader market this year, investors cannot rely on the same macro approach used in previous years. To generate alpha, they must adopt a more nuanced strategy, conducting extensive research to find trading opportunities. As a result, we have observed a notable increase in demand for altcoin options as traders and asset managers try to find hidden opportunities and outperform the market. In particular, infrastructure layers, staking and Web3 gaming are the most popular areas. Many of our clients achieved superior returns by combining their token selection strategies with the bespoke structured solutions we offer.

Another noteworthy development is the wider adoption of volatility strategies by crypto traders. Given the market's mostly range-bound behaviour throughout the year, generating returns from directional bets has proven challenging. Traders who have actively engaged in shorting volatility using options or more complex products like volatility swaps have performed exceptionally well, capitalising on the compression of crypto volatility.

**What kind of strategies do you think have done well or will do well in the current market environment when it comes to removing those risks?**

Caroline Mauron: Counterparty risk is an age-old issue that necessarily involves a trade-off between reducing risk and increasing capital efficiency. For bilateral derivatives trading, the traditional ISDA/CSA route is a tried-and-tested approach that we believe is also well-suited to crypto underlyings. The blockchain infrastructure additionally offers some very interesting new features that can be combined with the traditional setup to optimise certain trade-offs. For example, near-instant settlement can significantly reduce settlement risk, as compared to one or two business days in other asset classes.

Decentralised multi-signature wallets, such as those provided by Safe, are also a particularly exciting development that Orbit has pioneered for collateral management. As the initial margin is locked in a non-custodial wallet and can only be retrieved with the on-chain signature of both parties, it removes counterparty risk, at the fraction of the cost of a traditional custodian.

**What challenges or concerns still remain in both traditional institutions' and crypto-native players' minds? What would be the catalysts that carry us out of these challenges?**

Caroline Mauron: The crypto ecosystem as a whole is still at a nascent stage compared to other asset classes, and trading crypto assets carries a number of risks that are difficult for traditional institutions to accept due to great uncertainty, such as legal and regulatory risk, compliance risk, accounting risk and technology risk. Progress is being made from both sides, with crypto-native firms raising their standards to meet regulatory demands, while traditional firms build the expertise and knowledge to adequately mitigate risk.

At Orbit, we feel very fortunate to have a long experience in traditional finance, while our counterparties and investors are largely crypto-native participants – putting us in a very strong position in the industry as the gap between the two worlds is slowly getting bridged.

**Looking forward, what would you like to see more in this crypto derivatives space in the next two to three years?**

Caroline Mauron: We hope to see more participants continue to enter the market, whether they are blockchain companies looking to hedge their exposure, crypto-native investors managing their risk, or expanding their trading strategies to include option-based products, or traditional financial institutions entering a new asset class.

The potential for crypto-linked securitised products is significant, although the market is currently in its early stages of development. Venturing into this realm is essentially exploring uncharted waters, as these processes have not yet been established at scale. Streamlining the process requires collaborative contributions from issuers, hedge providers, paying agents, custodians, as well as banks. There are still some missing pieces, but we foresee increased institutional interest in this field, with more participants entering the space to collectively piece together the puzzle.

# Buyside view: from brokerage to advisory – shifting the focus

US advisory firm NewEdge is implementing a new approach to investing in structured notes and creating managed investment strategies using these products.

————— // —————



// Investment platforms wanting to offer advisory based structured notes have historically come with challenges

After more than 10 years in different roles at UBS Financial Services, Michelangelo Dooley (pictured) moved to US registered investment advisor NewEdge Wealth at the beginning of 2022 with the vision to change some of the ways of the industry and how to use structured products.

The launch of the NewEdge Structured Note Strategies back in the summer, which is part of the firm's NewEdge Investment Solutions platform, is testimony to that vision as it is aimed at going beyond what most financial advisors are trying to do in the US market.

In the US, most structured notes are primarily consumed by financial advisors as opposed to retail clients, notes Dooley, adding that most of the structured note exposure over the last seven or eight years ago was brokerage based with hardly any advisory-based structured notes usage - everything was still brokerage, commission focused.

"Investment platforms wanting to offer advisory based Structured Notes have historically come with challenges, especially if those advisory accounts contain 100% structured note exposure as our strategies do," Dooley told SRP.

"Advisory account compliance requirements such as minimum position numbers, single position size concentrations, issuer concentrations, underlying restrictions and note type restrictions all create barriers to entry for platforms and advisors to offer structured notes through advisory platforms rather than brokerage ones."

This approach had significant flaws, both on the types of outcomes that investors were receiving from those commission-based products, but also in the way that advisors were selling and managing those products.

According to Dooley, the US market has been characterised by a huge disconnect as products were being pushed as a single product which not only was not ideal in outcomes, and a significant number of those advisors didn't monitor those positions on an ongoing basis which was also exacerbated by how much time it was taking for advisors to have to manage those products - selling it, rolling it.

"It became a sub part of their practice just to have to do structured notes," said Dooley. "It became clear that there was scope to improve advisors' practice around structured

products and scale it and that we could do this better within an advisory discretionary strategy.

“Structured note data transparency continues to be a hurdle on many platforms, though we have seen meaningful progress in the past decade with many platforms spending more time on transparency and reporting within structured notes.”

### Time to switch

In his previous role as a private wealth advisor at NewEdge and before the NewEdge Structured Note Strategies group was launched, the firm primarily had two types of clients: the high-net worth client base - anybody that was up to US\$20-US\$30 million in assets under management; and the ultra-high-net worth and family office clients.

A couple of those ultra-high-net worth family office clients would run structured note auctions that would help them figure out pricing, underlyers and payoff structure with transaction sizes that ranged between US\$10-US\$20 million per trade, said Dooley.

“We would run comprehensive auctions that led us to see the difference between the product that an ultra-high net worth investor would get versus the type of product that was being pushed either directly from the issuers or through the bank distribution networks to advisors - the delta was massive,” he said.

“Some of that has to do with brokerage versus advisory product, but unless you had US\$1m the investor would be buying off the shelf.”

### Portfolio approach

The concept behind NewEdge Structured Note Strategies is based on combining the buying power and the same type of execution that these ultra-high net worth investors are getting, but also on making it easier for the financial advisor, “so they don’t have to dedicate a sub portion of their business just to manage a structured notes book”.

“We think this approach ultimately provides a better process as it is not based on a one-off trade, but it is considered a piece of your asset allocation with the intention of doing something that

traditional bonds and stocks aren't going to be able to achieve,” said Dooley.

That is how the first iteration of what is now NewEdge Structured Note Advisory Portfolio, also known as SNAP, originated in 2018.

### Looking back - inside UBS

Initially, SNAP was just a transition for the firm’s book of business which had about US\$500 million of structured notes of which US\$200 million or so was brokerage that they knew it wasn't going to transition; the other US\$300 million came from clients that were happy to delegate the management of their portfolio to NewEdge as they could see the execution benefits.

“That’s where the strategy began - it was fuelled by all of our brokerage notes that were rolling off which help us build a discretionary track record over time,” said Dooley.

In about two to three years after it started - between 2019/2020 - NewEdge had advisor partners at UBS without the Swiss bank formally recommending the strategy.

“UBS had just gone through a series of client complaints resulting from a financial advisor led options strategy, which was not related to structured notes in any way, but minimised the firm’s risk appetite to support what we are building in a formal way,” said Dooley.

“As much as they loved what we did with the structured note advisory portfolio, they couldn’t or wouldn’t adopt it for broad use across the advisor platform, leaving most advisors to continue structured note usage through brokerage (commission) based notes.”

The challenge on any of the wire house platforms, according to Dooley, is how to create risk parameters within an advisory portfolio.

“This meant that they couldn’t have more than x percentage of an issuer in a single account; or they could not do more than 30% to a single issue structured note in this account,” he said. “The advisory account compliance rules made creating, managing, and sustaining an advisory portfolio of structure notes very challenging for any advisor.”

# // Structured note data transparency continues to be a hurdle on many platforms

# Crypto news

All the latest developments in digital assets from across the globe

## JPM executes blockchain-based collateral settlement for OTC derivatives



J.P. Morgan has facilitated its first blockchain-based collateral settlement for a live client over-the-counter (OTC) derivative transaction. BlackRock tokenised the representation of shares in a money market fund (MMF) through J.P. Morgan's Tokenized Collateral Network (TCN), an application which sits on the US banking giant's Onyx Digital Assets platform.

Then the tokenised representation of the MMF shares were transferred to Barclays to cover collateral requirements, according to a J.P. Morgan statement provided to SRP.

Using blockchain settlement technology to transfer the ownership of MMF shares will add utility to MMFs and potentially increase their resiliency, the bank stated.

The transfer between Blackrock and Barclays was 'near instantaneous' and represents a first for BlackRock, J.P. Morgan and Barclays, where the shares in MMFs are used as 'collateral between bi-lateral derivatives counterparts'.

'This first transaction with BlackRock and Barclays demonstrates the power of tokenised assets, particularly in a collateral setting,' said Ed Bond (pictured), J.P. Morgan's head of trading services. 'MMFs can now be mobilised and utilised in a more efficient way, unlocking new pools of liquidity to be used for margining.'

Bond also noted that this transaction demonstrates 'the power of tokenised assets, particularly in a collateral setting'.

'MMFs can now be mobilised and utilised in a more efficient way, unlocking new pools of liquidity to be used for margining,' he said.

'The tokenisation of money market fund shares as collateral in clearing and margining transactions would dramatically reduce the operational friction in meeting margin calls when segments of the market face acute margin pressures,' adds Tom McGrath, deputy global chief operating officer of the cash management group at BlackRock.

J.P. Morgan stated it sees this transaction act as a 'blueprint for the future.' According to its statement, TCN has started with the tokenisation of money market shares, with a view to expanding across equities, fixed income and a range of asset classes.

The ability to tokenise assets and use them under both title transfer and pledge structures, outside of any limiting market operating hours has 'the potential to fundamentally change the collateral market,' the statement read.

## Fig gets approval to launch crypto structured note platform



Canada-based Fig Investments has received exemptive relief from the Alberta Securities Commission (ASC) and British Columbia Securities Commission (BCSC) to permit the distribution of its crypto structured investment products to accredited investors, according to its announcement. The 'first-of-its-kind' exemptive relief granted by the ASC

and BCSC will allow Fig to test its platform with accredited investors in Alberta, British Columbia and eligible foreign jurisdictions, the firm stated. If the pilot is successful, Fig intends to register as a portfolio manager and exempt market dealer in Canadian jurisdictions to allow for broader distribution of its products.

Its platform enables 'instant access' to structured notes with customisable risk and return parameters that provide hedged exposure to price movement in the Bitcoin (BTC) and ETH markets.

Fig Investments' initial focus will be on crypto structured investment products, with a long-term goal of expanding to equity structured products and digital representations of all asset classes. Its ultimate goal is to seek to introduce the blockchain-based settlement protocol for bilateral OTC option contracts, according to the firm.

'Our platform leverages technology to offer hyper-customizable products with turnaround in minutes instead of days, with a vision of democratising access to investment opportunities that were previously inaccessible to most investors,' said Guanzhi Ma (pictured), co-founder and CEO of Fig Investments.

## 21Shares debuts MakerDAO ETPs

21Shares has unveiled a new crypto ETP providing directly backed exposure to MKR, the governance token of the decentralised lending platform MakerDAO.

With an inception date of 27 September, the ETP is listed on BX Swiss with an expense ratio (TER) of 2.5%, according to the product's factsheet released by the Swiss crypto ETP provider. The ETP has been also listed on Euronext Amsterdam in US dollars, and on Euronext Paris in euros.

MakerDAO is a decentralized finance (DeFi) platform that was launched in 2017 on the Ethereum blockchain. It was developed to allow any user to take out loans in its stablecoin, DAI, without the need for credit checks, by depositing other cryptocurrencies as collateral.

The platform aims to solve several issues found in traditional finance such as transparency, volatility, and centralization. It utilizes smart contracts to eliminate the need for trust in any party, replacing external audits and company statements with trackability via the blockchain.

The new listing follows the launch of the 21Shares Lido DAO ETP (LIDO) in June.

## Regulators join efforts on tokenisation pilots



The Monetary Authority of Singapore (MAS) has partnered with the Financial Services Agency of Japan (FSA), the Swiss Financial Market Supervisory Authority (Finma) and the UK's Financial Conduct Authority (FCA) to advance digital asset pilots in fixed income, foreign exchange and asset management products. The new policymaker group under

the Project Guardian will spearhead and advance discussions on legal, policy and accounting treatment of digital assets; identify potential risks and possible gaps in existing policies and legislation relevant to tokenised solutions; and explore the development of common standards for the design of digital asset networks and market best practices across various jurisdictions.

In addition, the policymaker group will promote standards of interoperability to support cross-border digital assets development; facilitate industry pilots for digital assets through regulatory sandboxes, where applicable; and promote knowledge sharing among regulators and industry.

'[The] partnership shows a strong desire among policymakers to deepen our understanding of the opportunities and risks arising from digital asset innovation,' said Leong Sing Chiong (pictured), deputy managing director, Markets and Development, MAS.

'Through this partnership, we hope to promote the development of common standards and regulatory frameworks that can better support cross border interoperability, as well as sustainable growth of the digital asset ecosystem.'

Under MAS' Project Guardian, the Singapore regulator has collaborated with 15 financial institutions to carry out industry

pilots on asset tokenisation in fixed income, foreign exchange and asset management products.

## UBS leverages expertise in tokenising structured products, deploys first tokenised VCC



UBS Asset Management has launched its first live pilot of a tokenised Variable Capital Company (VCC) fund on the Ethereum blockchain. The pilot allows UBS Asset Management to test various activities, including fund subscriptions and redemption, according to the investment manager's announcement.

'This is a key milestone in understanding the tokenisation of funds, building on UBS's expertise in tokenising bonds and structured products,' Thomas Kaegi (pictured), head of UBS Asset Management, Singapore & Southeast Asia, said in the statement.

The fund is part of a wider VCC umbrella designed to bring various real-world assets on-chain as part of Project Guardian, a collaborative industry initiative led by the Monetary Authority of Singapore (MAS).

Kaegi noted that the 'exploratory initiative' aims to work with traditional financial institutions and fintech providers to 'help understand how to improve market liquidity and market access for clients.'

The latest development came after it originated CNY200m (US\$27.4m) of fully digital structured notes for a third-party issuer.

## Yield App rolls out dual currency products



Digital wealth platform Yield App has introduced dual currency (buy low) and dual currency (sell high) structured products to its wide user base on the platform. The two dual currency products are non-principal-protected and denominated in stablecoins or cryptocurrencies such as Bitcoin and Ethereum's native cryptocurrency ether,

according to the platform's blog.

While dual currency (buy low) is suitable for clients who seek to acquire crypto assets at a lower-than-market price should prices decline, dual currency (sell high) targets clients who look to acquire crypto assets at a lower-than-market price should prices decline.

Investors with diverse risk tolerances can employ these products in order to 'pursue a range of objectives, spanning from risk reduction to profit optimisation, in both bullish, bearish, and sideways-moving markets'.

Kurtis Wong (pictured), co-founder of TroFi Group, which was acquired by Yield App earlier this year and currently involves the platform's structured product development, told SRP that Binance Coin (BNB) and Avalanche (AVAX) are also available to its dual currency investment shelf. He said the platform will also add ATOM, DOT, LINK, MATIC, SOL, and XRP in the coming week.

## IPOR Labs rolls out a suite of yield-focused and interest-rate derivatives products to DeFi

IPOR Labs AG, the Zug-based creator of blockchain-based derivatives software, announced on Thursday (12 October) the launch of IPOR Protocol v2, which introduces a suite of yield-focused and interest rate derivatives products to decentralised finance (DeFi)

The upgrade enables IPOR to tap into the US\$19 billion Ethereum liquid staking derivatives market offering stETH deposit pools and staking rate swap instruments for various tenors, its announcement stated.

With its new stETH pool and on-chain interest rate derivatives, the IPOR v2 allows investors to hedge staking rate volatility via Stake Rate Swaps (SRS), the vanilla swap contracts for stETH staking rates.

Participants holding Ethereum's native cryptocurrency Ether (ETH), wETH, or stETH can boost their staking yields and provide the liquidity the IPOR Protocol requires to begin underwriting the SRS markets, according to IPOR Labs.

IPOR v2 is a rolling release with several upcoming products that will be launched in the next three quarters, the developer said. After the initial upgrade, the Stake Rate Swaps will be launched, followed by fixed-rate lending and borrowing, leveraged borrowing against IPOR LP tokens, and a real-world assets bridge that can capture yields from either DeFi or traditional finance (TradFi).

## EDG gets UK FCA approval

Enhanced Digital Group UK Limited, a subsidiary of Enhanced Digital Group, Inc. (EDG), a wholesaler of derivative and structured product solutions in the digital assets market, has become authorised and regulated by the Financial Conduct Authority (FRN 994619) on 1 November 2023.

'EDG is committed to bringing regulatory standards and institutional-grade practices to this asset class - no different from those in traditional finance,' said Chetan Sennik, co-founder and head of trading.

'FCA registration not only confirms that we are on the right track,

but it also reinforces the UK's dedication to the industry, playing a pivotal role in driving the institutionalisation and inevitable derivatisation of this asset class.'

The firm has focused on building up its capabilities over the last year. Earlier this year, it hired prominent former TradFi executive Cactus Raazi as head of US strategy. Raazi, a former Goldman Sachs and Nomura banker, joined from crypto trading firm Amber Group where he was US CEO.

Arta TechFin Partners with EDG UK as Exclusive Distributor of Digital Asset Structured Products in Hong Kong, Planning ASEAN HQ in Singapore

Back in April, EDG partnered with Arta TechFin, a hybrid fintech platform bridging traditional financial assets and digital assets to distribute digital asset structured products offering a variety of return scenarios, including asymmetric strategies and capital protected structures in Hong Kong exclusively. Arta offers a one-stop global solution in over-the-counter structured products and exchange-traded derivative products listed in Chicago and Hong Kong.

This partnership with EDG UK enables ARTA clients to access digital markets in traditional USD structured note formats. ARTA will be able to offer clients a. In addition to the EDG UK partnership, having partnership networks in New York, Singapore and Zurich.

## OKX launches Seagull product, trading of segregated assets

Crypto exchange OKX has rolled out a new structure Seagull. The product is non-principal protected and is denominated in Bitcoin (BTC), Ethereum (ETH), or Tether (USDT), its blog stated.

Seagull strategy means buying a call spread and selling an out-of-the-money put option. While a bullish seagull strategy involves buying a call spread and selling a put, the bearish seagull strategy involves buying a put spread and selling a call, according to OKX.

The latest product debut came after the launch of snowball structure earlier this year.

Meanwhile, the exchange announced on 15 Nov. that it has collaborated with Nomura-backed digital asset custodian Komainu and asset manager CoinShares to enable both its spot and derivatives trading without the counterparty risk associated with assets being held on the exchange as assets are held in segregated custody with Komainu.

'For institutional investors, counterparty risk is the Achilles heel of crypto when trading on exchange,' Lewis Fellas, head of hedge fund solutions at CoinShares, said in a joint statement. 'Without fail it's the topic most discussed in investor meetings and a major challenge to be overcome as we prepare for true institutional participation in crypto markets.'



# Is accurate and compliant data your top priority?

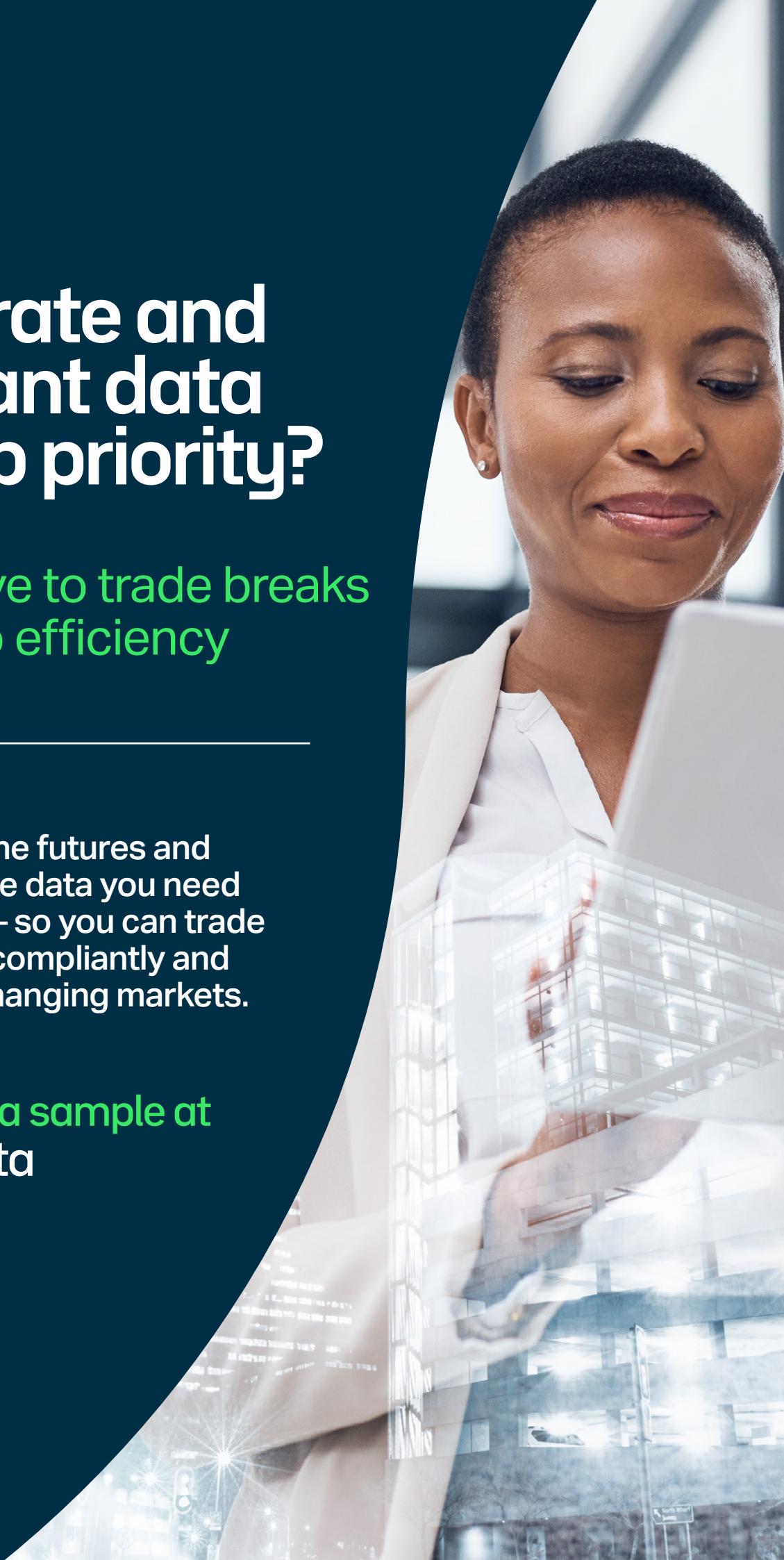
Say goodbye to trade breaks  
And hello to efficiency

---

FOW gives you the futures and options reference data you need how you need it – so you can trade seamlessly and compliantly and react faster to changing markets.

Request a data sample at  
[fow.com/data](https://fow.com/data)

[fow.com](https://fow.com)



# StructrPro: the risk of highly volatile underlyings cannot be underestimated

We look at structured products in the US market linked to underlyings that have exhibited poor performance during 2023. *By Suzi Hampson*



**Figure 1: table of data taken from StructrPro for three stocks**

Underlying	2023 high	2023 low	Low as 1% of high	1-year hist. volatility	Products	Live	Matured	Single	Multiple
Moderna	197.02	69.51	35%	49.70%	105	60	45	71	34
Peloton	16.98	4.3	25%	81.60%	92	19	73	69	23
Charles Schwab	85.62	47.37	55%	41.00%	101	61	40	62	39

Source: StructrPro

For the vast majority of product types and payoffs the most important factor in determining structured product returns is the underlying asset and its performance throughout the life of the product.

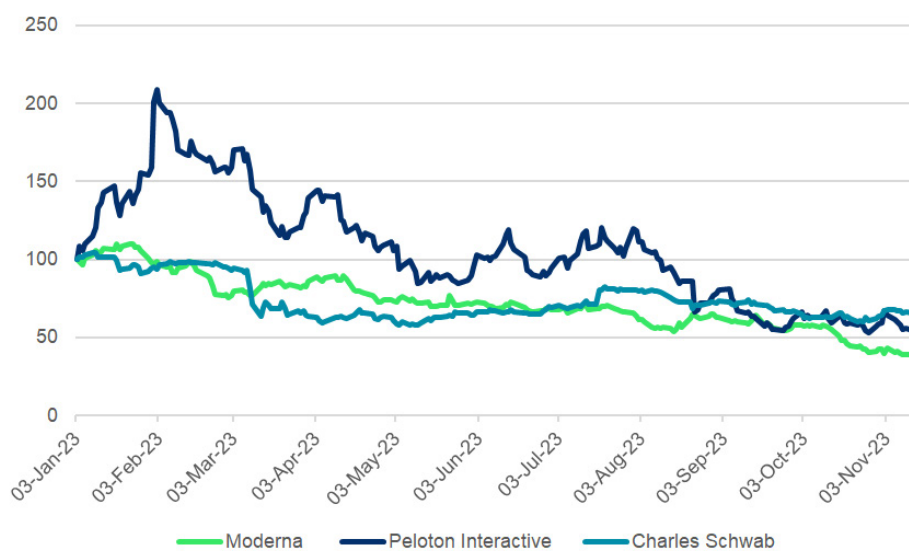
Moderna and Peloton reached peak levels during the Covid-19 pandemic which had a major positive impact on their respective companies

The first of the three companies we will examine is Moderna Inc (a pharmaceutical and biotechnology company) which has seen huge falls since its peak in the third quarter of 2021. It has shown a steady decline from January this year. We will also look at Peloton (Sports equipment) which has fallen by around 70% from its year high (as of 14 November 2023). The third stock is The Charles Schwab Corporation (financial

services) which has a significantly longer history than the other stocks.

Moderna and Peloton reached peak levels during the Covid-19 pandemic which had a major positive impact on their respective companies. Charles Schwab peaked at the beginning of 2022 when Moderna and Peloton had fallen back to something close to their pre pandemic levels.

**Figure 2: performance for 2023 of Moderna, Peloton Interactive, Charles Schwab**



Source: StructrPro, as of 14 November 2023

Figure 1 shows metrics on the three stocks and includes data taken from US structured product portfolio and lifecycle tool StructrPro. Most products were linked to the underlyings individually with some linked to a basket including the respective stock. There are a total of 158 products still live linked to one or more of these stocks. Of these 74% are currently reporting a loss. The average structured product payoff (using the latest valuation) is 66.24% and the average underlying level is 56.2% of its starting price.

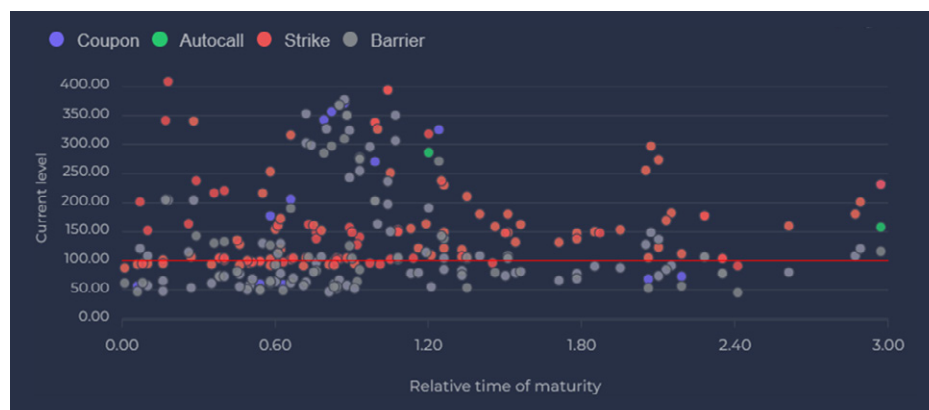
Figure 2 shows the evolution of each stock in the past year and highlights their downward trajectory.

Figure 3 shows the distribution of live products linked to the three featured underlyings. The chart shows various key risk levels: autocal, coupon barrier, capital barrier and strike for each product.



ANALYSIS

**Figure 3: scatter chart including all products linked to Moderna, Peloton Interactive, Charles Schwab**



Source: StructPro

Consistent with weak stock performance, this chart shows that as expected for most products linked to these underlyings key levels have been breached and in some cases the products are very far below the required levels.

Of these three stocks, Peloton has had the largest falls over the past year which is reflected in the high stock volatility of over 81%. Of the 19 products that are live and linked to Peloton all have breached their relevant capital at risk barrier level and the average current valuations is only 14% of initial investment.

This is undoubtedly a very disappointing outcome for investors who have held these products for an average of over two-years

and shows how volatile single stock linked products can be. Two years ago, the one-year implied volatility was around 60%, already at the top end of typical levels therefore any products striking at that time will have offered very attractive headline terms.

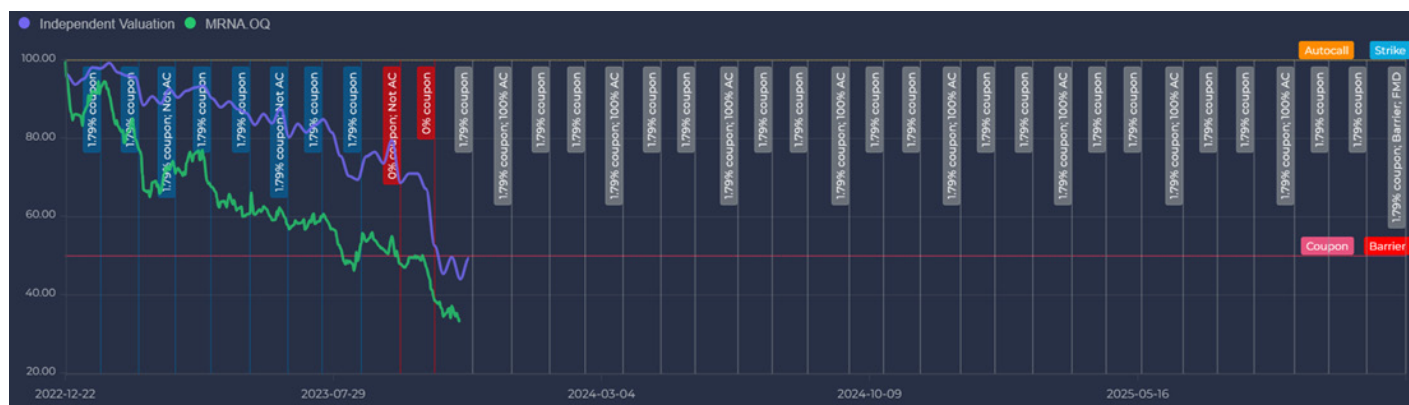
There are 60 products linked to Moderna Inc and although most products are currently pricing well under par there is more time left in some cases than for Peloton linked products. This may give investors some hope of a recovery. Figure 4 shows the StructrPro "Event and Timeline" chart for a single income autocall product linked to Moderna inc. It struck in December 2022, has a coupon barrier of 60% and an autocall barrier of 100% of strike level.

The underlying is currently 34% of the strike level (10 November 2023). The product paid the first eight coupons of 1.79% per month (approximately 21.5% p.a.) but has failed to pay at the last two coupon opportunities as indicated in red. To pay coupons again the underlying needs to increase by 76% to get back above the coupon barrier.

The product has over two years to run and the current implied volatility of almost 60% would suggest that recovery at some point is possible. The coupon barrier and capital at-risk barrier are both set at 60% of the initial level so if coupons are resumed, capital repayment is also a much more likely prospect. This would be a great outcome for investors given the current valuation of the product. Autocalls and income autocalls will successfully call in growth markets leaving investors able to invest in different opportunities. However, when underlyings are not performing well the products continue until maturity and in the case of very poor outcomes will suffer losses to capital in addition to missing potential income or returns.

It is often easier to highlight products that have performed, outperformed other sectors or have made especially impressive returns for investors. Not all underlyings will show growth in any given period and clearly the risk for highly volatile underlyings cannot be underestimated. Structured products linked to such underlyings provide targeted opportunities with some risk control and yield enhancement.

**Figure 4: event and timeline chart for Phoenix AutoCallable Notes Moderna (06741WYJ3)\***



\*Past, future and hypothetical events showing cashflows and maturity. Includes simulation facility to test different future evolution scenarios

# Lifecycle management: StructrPro index analysis 2023

The US structured product market has seen very strong growth in recent years. *By Tim Mortimer*



This is primarily a result of compelling defined risk investment opportunities that have a strong rationale in volatile and uncertain markets as more investors appreciate the benefits they can bring.

An important further ingredient to the expansion and success of structured products has been the advancements provided by the major technology platforms of the industry. These have contributed to the areas of providing convenient market access, supporting education and compliance, and helping firms with lifecycle and position management.

As an investment class, structured products compete against other propositions that could be termed medium risk such as some insurance products, risk-controlled funds, ETFs and managed portfolios made up of stocks and bonds.

These well-established alternative investment propositions generally have a more favourable regulatory treatment, are simpler in nature and powered by well-established easy to use platforms from fund providers or large brokerages.

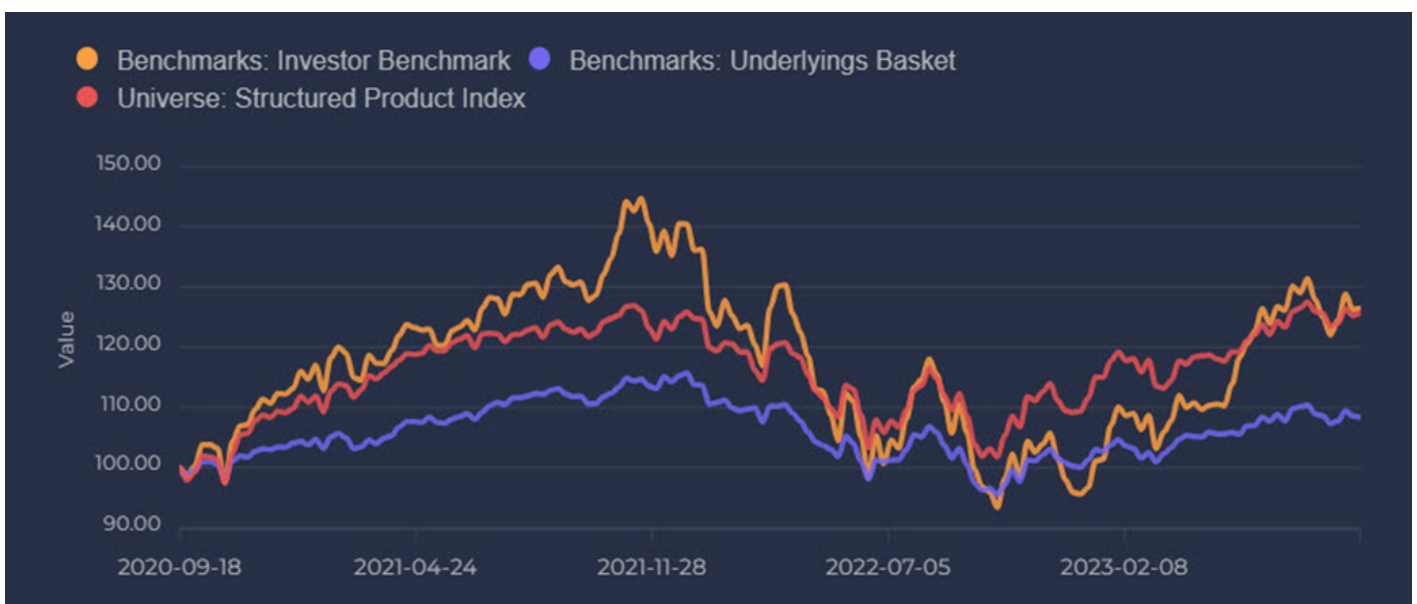
The StructrPro platform created as a joint venture between SRP and FVC has responded to recent market activity by making significant further developments in analysis capabilities and functionality.

StructrPro is a unique proposition in the US market as it is a truly independent whole of market platform focusing on detailed analytics and firm-wide support at the market, portfolio and product level.

This article will consider the extended provision of market data and a future piece will examine deeper ways to dissect market trends.

An important innovation provided by StructrPro is the provision of structured product market indices. Using calculation techniques developed by FVC some years ago for the UK market, these indices show the performance of US structured product market on a continuous basis by considering the universe of products issued into the market as a pipeline of investments that define a very large portfolio.

**Figure 1: US Structured product market performance and comparisons 2020-2023**



Source: StructrPro

Traditionally, structured product performance measurement has focussed on matured products only. There is nothing wrong with this approach and indeed it has many advantages. Waiting until products mature allows for simple calculation of payoff which can be undertaken by any party directly or by accessing the published value from an issuer or distributor.

Structured products are fixed term investments therefore collecting performances and expressing these in tables or charts gives a clear indication of the success of a market.

However, there are a number of drawbacks with this rather simplistic approach. Maturity data will always lag the market given the typical lengths of products, and live products are always ignored in such analysis.

Product maturities can also be very concentrated as they depend in large part of early maturities of autocalls and a strong period of market growth will result in a flurry of maturities.

The other main shortcoming is that only examining product maturities makes benchmarking against other assets (such as benchmark indices) difficult since structured products start and finish at different times in a typical continuous product issuance cycle, whereas indices and funds tend to be analysed on a simple point to point basis because of the time series data that is available. Benchmarking is important because investors will naturally want to know how the structured products market performs relative to other asset classes.

These issues are all addressed by the indices created for StructrPro. They are calculated via a precise algorithm with the same objectivity as mainstream and custom indices from traditional index providers. The algorithm would also be investable if the universe of products were sufficiently liquid.

Figure 1 shows how the US structured product market has performed strongly over the last three years. The index is rebased to 100 three years ago (September 2020) and started by being composed of all live products open at that time proportional to the sales volume reported by [www.structuredretailproducts.com](http://www.structuredretailproducts.com). Income and product maturities are reinvested into the index when they occur to create a total return index.

Products that start (have their strike date) after the start date are invested by buying an appropriate proportion and selling small amounts of existing positions to fund it. The result is the (red) Structured Product Universe curve which represents the most accurate evolution of the whole structured product market performance over time.

The first comparison that should be made is with the (yellow) Investor Benchmark curve depicting a simple portfolio of 40% S&P-500 total return ETF, 40% bond fund and 20% cash fund.

The two curves are almost identical point-to-point but the benchmark curve exhibits much more volatility than the structured product index and has fallen significantly further during the time frame.

Investors care about performance but also the journey and are made nervous by volatility and drawdown. This makes structured products much more attractive to most lower risk investors who are the natural target in the first place.

The final (blue) curve on the chart is the result of an investment strategy comprised of committing money on the same schedule as the structured products issuance but directly into the underlyings themselves and not into the structured products.

As can be seen the blue curve has consistently underperformed the red curve. This shows that the mix of structured products outperform the indices themselves and so the risk reduction and yield enhancement properties of the structured products are consistently adding value.

This more sophisticated but still intuitive analysis gives precise calculation of structured product performance versus simple benchmarks and the control group of the same underlyings. The concrete results make a powerful supporting case of the benefits of the US structured product market for issuers, distributors and advisors alike.

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



Benchmarking is important because investors will naturally want to know how the structured products market performs relative to other asset classes.

---

# Spotlight on... top issuers in the US

Some US\$33.6 billion was collected from 9,741 structured products in the third quarter of 2023 – up 13% from the prior year period (Q3 2022: US\$29.9 from 8,325 products).



Average volumes, however, at US\$3.5m per product, were slightly down on the same quarter last when products sold on average US\$3.6m.

Twenty issuer groups were active in the quarter (Q3 2022: 19). BBVA and Nomura were new issuers this quarter. The former made its first appearance on the SRP US database since March 2020 while Nomura was seen for the first time since January 2016.

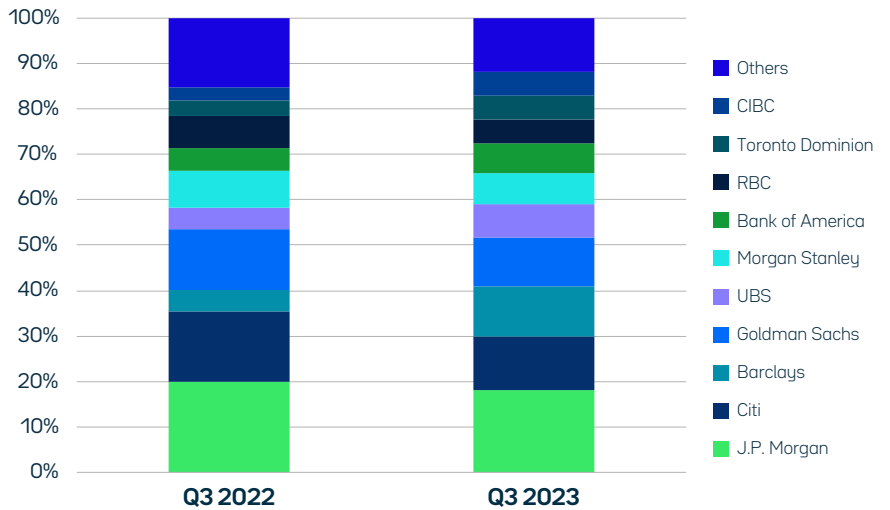
The top two issuers remained unchanged with J.P. Morgan once again the most prolific issuer during the quarter followed by Citi in second.

JPM claimed an 18% share of the US market with sales of US\$6.1 billion from 2,158 products – an increase of 1.7% by sales volume year-on-year (YoY) – while Citi held 12% of the market as it accumulated US\$4 billion from 1,194 structured products.

A large chunk of J.P. Morgan’s sales, at US\$4.2 billion, came from 1,599 products linked to an equity index, with the S&P 500 the most frequently used, either on its own (US\$1.6 billion from 400 products) or as part of a basket – often in combination with the Russell 2000, Nasdaq 100, or DJ Industrial Average (US\$1.2 billion from 601 products).

Citi saw its market share fall by 3.75

**US: top 10 issuer groups - market share by sales volume**



Source: SRP

percentage points YoY. Like JPM, more than half of its sales came from products tied to equity indices, with the S&P again the preferred option (US\$1.6 billion from 555 products).

Barclays completed the top three, claiming an 11.2% market share (Q3 2022: 4.8%) from 917 products worth a combined US\$ 3.8 billion. Its preferred index was the Russell 2000, mostly as part of a basket (US\$1.7 billion from 510 products).

Barclays’ offering included the Synthetic Convertible Notes (06741W7A2) on the

Class A common stock of Alphabet, which, with sales of US\$450m, was the best-selling US product of the quarter.

Goldman’s market share dropped to 10.7%, while that of UBS, at 7.4%, was up by 2.8 percentage points. Morgan Stanley and Bank of America both held a 6.7% share of the US market.

Three Canadian banks made the top 10: Royal Bank of Canada (RBC), Toronto Dominion Bank and Canadian Imperial Bank of Commerce (CIBC). Each collected sales of around US\$1.8 billion, which translates in a market share of 5.2%.

J.P. Morgan remained the number one issuer in a quarter which saw BBVA and Nomura return to the US market after a lengthy absence

# Spotlight on... underlying assets in Poland (Q3 2023)

An estimated PLN1.4 billion (US\$335m) was collected from 40 publicly offered structured products in the third quarter of 2023

//

Products linked to a worst-of basket of shares captured 54% of the market – up 29 percentage points year-on-year (YoY) – ahead of those linked to single stocks and single equity indices, which claimed a market share of 26% and 13%, respectively.

The former, typically linked to two or three stocks, was seen in 17 products worth an estimated PLN731m, including 11 that offered a capital return of more than 100%.

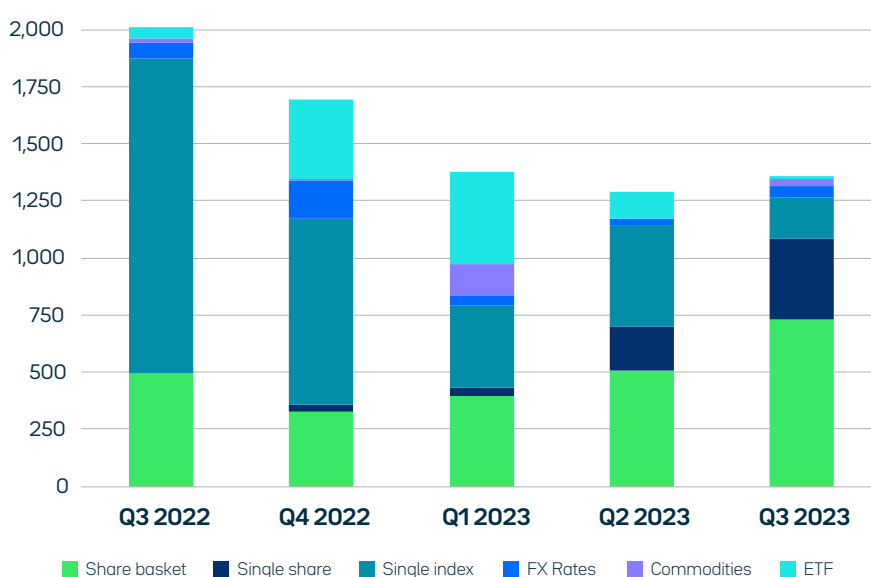
An example of such product is Świat Motoryzacji which was launched by Bank Pekao in collaboration with Société Générale.

The two-year euro denominated structure sold €7.8m (US\$8.4m) during its subscription period and promises to return at least four percent on top of the nominal invested.

However, an additional coupon of 8.30% is paid if the underlying shares of Toyota and Tesla close at or above their respective initial levels on the final validation date.

Structures on single stocks, which were not available at all during Q2 last year, gathered sales of around PLN350m from seven products this time around, and included offerings on the shares of Amazon, ASML and KGHM Polska Miedz.

**Poland: sales by underlying asset class by quarter\***



\*Excluding flow products

Source: SRP

Products linked to a single equity index, which with sales of PLN1.4 billion (from 13 products) held 69% of the Polish market in Q2 2022, saw their share drop to 13% this quarter.

Seven products in total were issued on this asset class (PLN180m), including two linked to the MSCI World IMI Digital Health Select 5% Risk Control EUR Index – both issued on the paper of BNP Paribas.

Six products worth an estimated PLN50m were linked to FX rates, mostly the EUR/PLN and USD/PLN currency pairs, while two products were linked to commodities (PLN35m).

One product, Alior's PLN Apollon with Oxygen, was linked to an exchange-traded fund (ETF). The five-year autocall, which sold PLN12.3m, offered access to the iShares US Real Estate ETF.

**Worst-of stocks and single stocks took centre stage in a quarter that saw products linked to single equity indices lose significant market share**

# Product wrap: ING tracks fund of funds, BofA cashes in on sustainability bond

In this wrap, we look at a selection of structured products with strike dates in Q4 2023.

## EUROPE

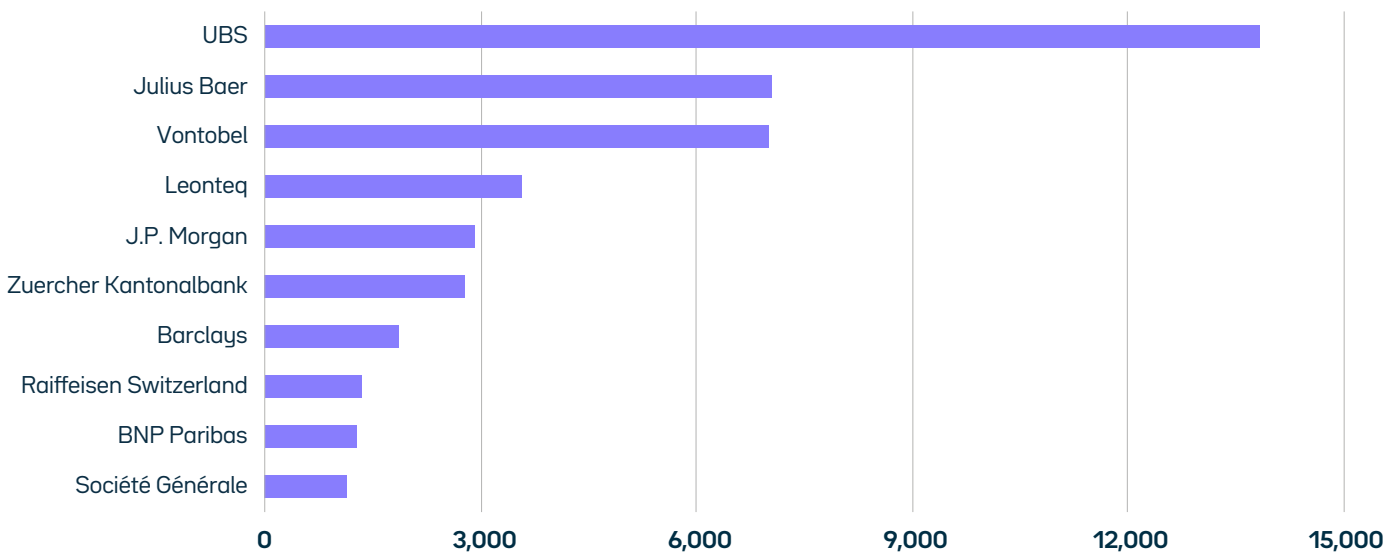
**Belfius Bank** collected €214m (US\$230m) with Active Interest 11/2027 in Belgium. The four-year medium-term note (MTN) offers a fixed annual coupon of 3.75% during the first two years of investment. The third and fourth year, the annual coupon is equal to two-times the difference between the 30-year EUR constant maturity swap (CMS) rate and the two-year EUR CMS rate, subject to a minimum of 1.75% and a maximum of 3.75%. The product is issued on the paper of Belfius Financing Company, which is incorporated under Luxembourg law and a 100% subsidiary of Belfius Bank. At the beginning of the subscription period, total costs were equal to 3.79% of the nominal value of the amount invested. This product is not listed. Priips Summary Risk Indicator (SRI): two out of seven.

Also in Belgium, **ING Bank** gathered sales off €20m with its Participation Notes 10/28. The five-year structure is linked to the ING Personal Portfolio Balanced (R Cap) Fund, an actively managed fund of funds that mainly invests in shares of collective investment

undertakings, money market instruments, real estate, and equities. The product pays a fixed coupon of 0.75% per annum, regardless of the performance of the underlying fund. At maturity, it offers 100% capital protection, plus a return equal to the evolution of the fund, capped at 22% and subject to 12-month backend averaging. This product is issued at 102%. A structuring cost of 1.50% is included in the issue price. Priips SRI: two out of seven.

Another fund-linked structure was seen in France where **Société Générale** introduced the Duo Mix Compass Transatlantic Octobre 2023, targeting private banking investors. The 12-year product has 70% of the nominal invested placed in a fixed-income account that pays a coupon of 4.20% after one year. The remaining portion is linked to the SG 29 Haussmann Compass Transatlantic I-EUR Fund, a mutual fund which aims to outperform the benchmark index, Solactive GBS CW DM US & Eurozone EUR Index NTR, over a long-term horizon exploiting investment opportunities on the equity markets, while providing a fixed stream of distributions. The fund is actively managed by SG 29 Haussmann. At maturity, if the fund closes at or above 80% of its initial level, the product returns the remaining 30%, plus a coupon

### Europe: top 10 issuer group by issuance - Q4 2023\*



\*Excluding flow- and leverage products

Source: SRP

of 84%. The European barrier for capital protection is 50%. It is listed in Luxembourg for an issued amount of EUR€30m. Priips SRI: two out of seven.

**Santander International Products** achieved sales of PLN72.5m (US\$17.4m) with Obligacje z Ochroną Kapitału w PLN in Poland. The product has a tenor of 18 months and is linked to the shares of two German auto manufacturers: Mercedes Benz and BMW. At maturity, it offers 100% capital return, plus a guaranteed coupon of six percent. However, if both shares close at or above their starting level on 30 April 2025, an additional coupon of two percent is paid. The minimum investment is PLN50,000 (US\$12,025). The product is listed at Euronext Dublin. Priips SRI: one out of seven.

**United Bankers** distributed Yrityslainakori Eurooppa V/2023 in Finland. The 5.6-year credit-linked certificate is issued on the paper of BNP Paribas Issuance BV and linked to the iTraxx Europe Crossover Series 40 Version 1 Index. Every six months, a coupon of 8.25% pa is paid, providing 63 out of the 75 reference entities that make up the index have remained solvent during the period. However, if more than 12 reference entities have endured a credit event, the coupon is reduced by 8.33 percentage points per company. At maturity, if there have been 24 or more credit events, the entire capital will be lost. The product is listed at Nasdaq Helsinki. Priips SRI: four out of seven.

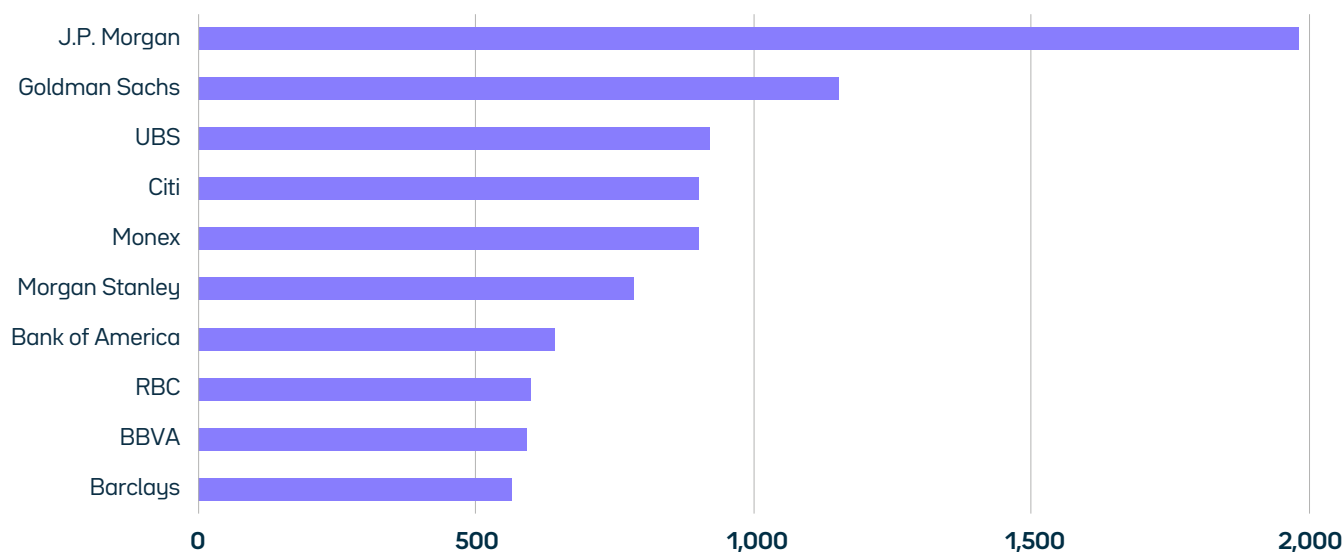
**Garantum** marketed NDA AC Euro Indeks 5003 NOK in Norway. The five-year autocall offers access to an equally weighted basket comprising three indices: Eurostoxx Banks, Stoxx Europe 50, and Stoxx Europe 600 Insurance. From the end of the first year onwards, the product is subject to quarterly early redemption

if all indices close at or above their respective initial levels on any valuation date. In that case, it offers 100% capital return, plus a coupon of 3.50% for each quarter elapsed. At maturity, a European capital protection barrier of 80% applies. Otherwise, the investor participates 1:1 in the worst performing share. Nordea is the issuer for this product that is listed in Stockholm. Priips SRI: six out of seven.

**BCP Asset Management** collaborated with Goldman Sachs for issue four of its 100% Protected MSCI World Bond. The five-year product participates 140% in the positive performance of the MSCI World EUR Index, which provides exposure to the performance of 23 developed markets countries. The return is capped at 35%. The minimum investment is €20,000 and the product is targeted at individuals, pensions, charities, and corporates who receive investment advice. Total fees for the bond are 4.75% (or €950 for an investment of €20,000). From the total fee received, the Dublin branch of the European Depository Bank will receive 0.15% for custody and execution services. The product is listed in Luxembourg. Priips SRI: two out of seven.

**Causeway Securities** introduced the Minimum Return Defensive Deposit Plan in the UK. The six-year digital product is 100% capital protected at maturity. If the final level of the underlying FTSE 100 Index is at or above 80% of its starting level, the investment return on capital is 40% (6.67% pa). Otherwise, the investment return is 18%. Société Générale London Branch is the deposit taker while James Brearley & Sons acts as the plan administrator and custodian. Subject to a minimum investment of £10,000, the plan is available as a direct investment; Isa/Isa transfers; offshore bond; and for pensions, companies, trusts, and charities. Priips SRI: two out of seven.

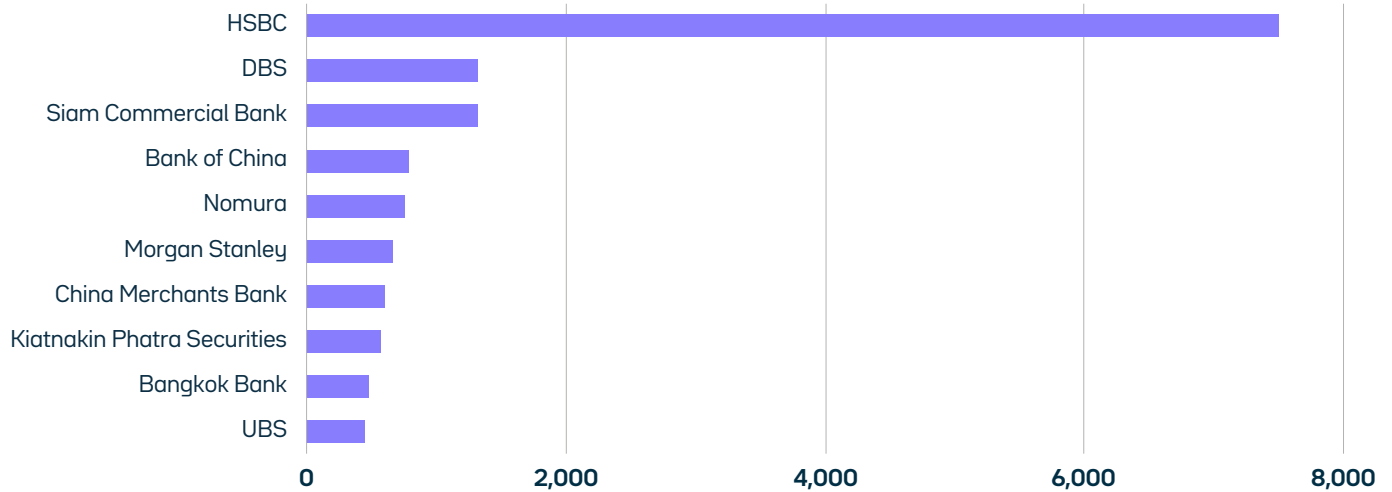
#### Americas: top 10 issuer group by issuance - Q4 2023\*



\*Excluding flow- and leverage products

Source: SRP

**Asia Pacific: top 10 issuer group by issuance - Q4 2023\***



\*Excluding flow- and leverage products

Source: SRP

## AMERICAS

**Bank of America (BofA)** accumulated US\$112m with Sustainability Bonds Accelerated Return Notes (06418G180) on the S&P 500 in the US. At maturity, if the index is at or above its initial level, the 1.2-year registered note offers 300% of the rise, subject to a maximum overall return of 113.95%. Otherwise, the investor participates 1:1 in the fall of the index. Bank of Nova Scotia is the issuer for this product which has an underwriting discount of 1.75%. The estimated value of the notes is US\$9.741 per unit.

Also in the US, **Citigroup Global Markets** collected US\$517,000 with Callable Contingent Coupon Securities Worst of Option (17291QRT3). The 1.3-year registered note offers a fixed monthly coupon of 1.0667% (12.80% pa) if the shares of Alphabet, Amazon, and Apple all close at or above 70% of their respective strike level on any monthly valuation date. Citigroup has the option to call the product on any monthly coupon payment date from 3 January 2024 onwards. At maturity, if each share closes at or above 60% of its initial level, the product offers 100% capital return. Otherwise, the investor participates 1:1 in the worst performing share. There is an underwriting fee of 2.50% and the estimated value is US\$951.80 per security.

**Banco Bradesco** launched COE Inteligência Artificial in Brazil. The four-year certificate of deposit is linked to the Global X Robotics & Artificial Intelligence ETF. At maturity, the product returns 100% of the nominal invested, plus 125% of the rise in the index over the investment period, capped at 70%.

**Monex** issued a range accrual note linked to the interbank equilibrium interest rate (TIIE 28) in Mexico. At maturity, the product offers 100% capital return, plus 12.5% pa pro-rated for the number

of business days in the investment period when the underlying is between the range of [10.8..11.8]. Otherwise, the product offers a capital return of 100%.

## ASIA PACIFIC

**HSBC Bank** issued 股票掛鉤投資2023/Basket US DCDC ELI DFBAS2304370 in Hong Kong SAR. The three-month daily cash dividend callable product is denominated in US dollars and linked to a basket of two shares: Walt Disney and Netflix. The product has a daily autocall condition and a knock-in feature, which is set at 80%. The exercise price is between 90 and 95% of the initial spot price and the call price is set at 100%. The fixed cash dividend rate is 1.13%. This product is unlisted.

**J.P. Morgan** acted as the derivatives counterparty for Samsung Securities' ELS 29324, also in Korea. The three-year stepdown autocall is linked to the shares of Naver and LG Chem. The maximum overall return of 142% will be achieved if both shares close at or above 75% of their starting price on 28 December 2026. Capital is at risk if the worst performing share has fallen below 45%.

**Bank of East Asia** targeted 结构性存款产品系列/CNY Structured Note S2757 at retail investors in China. The three-month deposit is linked to the appreciation of the Australian dollar relative to the US dollar. At maturity, the product returns 100% initial capital plus a coupon of 3.95% pa if the AUD/USD has been below +0.005 and above -0.005 throughout the tenor. If the level of the currency pair throughout the tenor is at or above +0.005 and at or below -0.005 but not higher than +0.2 and lower than -0.2, the product offers 100% capital return plus a coupon of 2.95% pa. Otherwise, the product returns 100% of capital plus a coupon of 1.1% pa.



# People moves



## SocGen hires three former CS bankers, boosts global markets in Japan



A flurry of appointments has been made by the French bank this fall as it seeks to strengthen its business franchise for global markets in Asia Pacific. Société Générale Securities Japan Limited (SG) has revealed three appointments of sales on the global markets in Japan, including seasoned sales **Tomoyuki Sasai** (pictured) who joined as managing

director, head of global markets sales in Japan, according to the bank announcement on Wednesday, 25 October.

Leading all the sales teams of global markets in Japan, Sasai's role aims to 'capture every single opportunity in this growing market by the best-in-class servicing of all the clients on flow and non-flow solutions,' SG stated.

Sasai's role is newly created, according to a source familiar with the matter.

In his new role, he will be responsible for developing the fixed income department, equity department franchise, and cross-asset solution and distribution business leveraging rates, forex (FX), credit, commodity, equity and fund derivatives, and quantitative investment strategies (QIS).

He reports to Marc Saffon, head of global markets, Japan at the bank, effective from 2 October. With 25 years of experience in the structured solution business, Sasai joins the French bank from Credit Suisse where he held various senior positions for over 14 years, most recently as managing director, co-head of solutions Japan, head of sales.

Before Credit Suisse, Sasai was the director, equity and fund derivative structuring at Deutsche Bank. Prior to the German bank, he was also with J.P. Morgan and before with Lehman Brothers.

## PEOPLE MOVES



Meanwhile, SG has appointed **Ryosuke Ishizawa** (pictured) as head of distribution cross assets solutions and head of financial institution cross assets solutions, global markets in Japan.

Ishizawa joined from Credit Suisse as well after being with the Swiss bank for over 14 years where he most recently served as the head of the investment solution sales team. Prior to that, he was Deutsche Bank where he was responsible for structuring role related to equity derivatives.

Joined SG on 27 September, he is responsible for supervising the third-party distribution business and the institutional solution business focusing on both mass retail investment products, structured notes or ad hoc investment, and hedging solutions for institutions across all asset classes.

Ishizawa takes over Hidetomo Kurachi who has left the firm, SRP has learned.

SG's announcement states that Ishizawa reports regionally to Jung-Jin Yoon, head of cross asset sales and structuring, Asia-Pacific, and locally to Sasai.

### Strategic focus

In addition, **Yuichi Shida** – formerly worked as the sales and structuring in global markets with Credit Suisse and Mizuho – has joined the French bank's regional banks sales team, global markets in Japan.

Effective on 7 September, Shida will have responsibility for non-flow products including funds/QIS and notes utilising various derivatives targeted at regional financial institutions. He reports to Naoyuki Kumon, head of regional banks sales.

SRP has also learned that Shida's role is a new headcount in the existing sales team.

According to SG, these appointments are in line with its strategic priorities in the region to 'steer [its] commercial franchise on both flow and non-flow activities to the next level in Japan.'

'Societe Generale has been boosting its presence [in Japan] for equity business and financial engineering and named two new co-heads of fixed income sales over the last two years,' the bank stated. 'These senior hires are completing our ambitious upgrades on the non-flow products side, which are in line with the bank's strong efforts strengthening further all products and solutions business in global markets.'

Additionally, a spokesperson at SG has confirmed the appointment of Benjamin Gautron as global markets sales business manager head for Asia Pacific in September. He's based in Hong Kong.

Gautron reports regionally to Olivier Daguët, chief operating officer for global markets Asia Pacific, and functionally to Sophie Robatche-Claive, who is the global head of business management office for global markets sales, coverage and research, SRP has learned.

Earlier this year, the French bank also made several changes at the top: **Hatem Mustapha** as co-head of global markets activities and head of equities & equity derivatives, succeeding Alexandre Fleury in this position.

In June, **Fouad Farah** was promoted to head of global markets, Americas, at SG in New York.

### BNPP promotes EQD banker to build up Miami office



BNP Paribas has appointed **Joshua Dunivant** (pictured) as head of global equities sales for the Miami office in anticipation of its opening later this year. He will continue to serve in his role as managing director, co-head of equity derivatives (EQD) hedge fund asset manager (HFAM) sales for the Americas.

In the expanded role, Dunivant will focus on growing BNPP's footprint in South Florida and across the Americas and work closely with Matthew O'Connor, head of the Miami office. O'Connor took the role in early August, along with Annabella Espina who serve as chief operating officer at the Miami office.

Having joined the French bank from Barclays in mid-2015, Dunivant became head of delta-1 sales, Americas, before his mandate expanded to equity derivatives serving asset managers and hedge funds. He was registered with Barclays (2011 to 2015), Macquarie (2008-2011) and Bear Stearns (2005-2008), according to Finra's BrokerCheck.

### HSBC bolsters Americas QIS structuring team



The UK bank continues to build up its QIS capabilities in the Americas.

**Geoff Simmons** has joined HSBC as head of equity & QIS structuring, Americas, after almost nine years at Société Générale.

Based in New York, Simmons reports to Thibaut de Rocquigny, global head of equity structuring, who is based in Hong Kong SAR.

During his time at the French bank, Simmons held a number of senior roles in equity derivatives and quantitative investment strategies (QIS) structuring including head of QIS structuring Americas and head of EQD QIS structuring global in London and New York.

He joined Société Générale as a financial engineer within the bank's index business in New York, SG Indices, as became an associate, equity derivatives, in London in 2016, before being promoted to director level in 2021.

**De Rocquigny** (pictured) was promoted to his current role within the markets & securities services at the bank in the summer of 2021, to fill the boots of Marc Lemmel who left the bank early this year after more than 10 years of service at the bank.

De Rocquigny was appointed sole head of equity structuring for the region in 2015 following the departure of Gordon Ho, the bank's head of equity derivatives structuring for the Asia Pacific region for more than two decades.

The UK bank announced in early 2020 that it would transition its structured products capabilities from the UK to Asia, with its main market being Hong Kong SAR which is now the main jurisdiction for HSBC, according to SRP data.

## UBP strengthens EM fixed income unit with three hires



Union Bancaire Privée (UBP) has appointed three senior executives in an attempt to 'bolster its emerging market (EM) fixed income capabilities', following its recruitment of Sergio Trigo Paz from BlackRock as head of EM fixed Income team last September. **Jack Deino** and **Raphaël Maréchal** have joined as senior portfolio managers, from BlackRock and

Nikko AM respectively, in addition to **Alonso Perez-Kakabadse** as senior portfolio advisor & strategist, from Wellington Management.

Their arrival complements the now a team of 11 comprised of portfolio managers, credit analysts, strategists and investment specialists across London, Zurich and Hong Kong SAR, with an average of 25 years' industry experience.

'We have a strong conviction in the potential of emerging markets and recognise the need for specialised expertise in managing investments in these regions. With this strengthened team and structured offering...' said Philippe Lespinard (pictured), head of asset management (London) and head of alternative fixed income at UBP, who joined last June.

UBP has reviewed its EM fixed income offering and implemented a new investment process integrating responsible investment

at its core. The range spans the whole emerging market debt investment universe, from sovereign and corporate to local debt, according to the private bank.

## Cboe unveils new leadership appointments



Cboe Global Markets announced changes and new appointments to its senior leadership on 11 October. These changes include the appointment of **Catherine Clay** (pictured) to global head of derivatives, a newly-created role, and the promotion of Adam Inzirillo to global head of data and access solutions.

'Continuing the growth and expansion of our global derivatives business presents a tremendous opportunity for Cboe and is an area where we intend to continue sharpening our focus,' said Fred Tomczyk, Chief Executive Officer of Cboe Global Markets.

Clay, who was previously global head of data and access solutions and digital, will supervise Cboe's global derivatives business, which includes futures and options markets in the U.S. and Europe, as well as a suite of globally traded proprietary products, including the S&P 500 Index options and VIX franchises.

Inzirillo, previously head of North American equities, will oversee Cboe's market data and access services, global indices, risk and market analytics and execution solutions services. His previous role will be succeeded by Oliver Sung, previously head of North America execution consulting, on an interim basis.

## Halo adds institutional sales for Middle East & Africa



**Hashbeer Ali** (pictured) has been appointed as executive vice president, institutional sales for the Middle East & Africa based in Abu Dhabi at Halo Investing MEA, a regulated entity by ADGM's Financial Services Regulatory Authority. His role will encompass developing and executing strategic sales initiatives while strengthening Halo's presence in the institutional marketplace.

Ali has experience of more than two decades in banking and derivatives sales. He joined from Commercial Bank of Dubai where his last role was senior manager, global markets sales. 'His background includes notable engagements with local banks, where he played a pivotal role in shaping and executing derivative strategies,' stated Halo.

**PEOPLE MOVES**
**SIX names head of standards, quality & analytics**

SIX Swiss Exchange has appointed **Marc Honegger**, head of standards, quality & analytics last week. Most recently, Honegger was head of product operations and commercials for one and a half year after leading the content and commercial unit for five years.

He joined SIX from UBS wealth management in August 2016 where he was managing director and head of investment products & services (IPS), structured products, after leading structured products origination.

Honegger joined UBS Investment Bank in 1996 as managing director, foreign exchange structured products. At UBS, Honegger worked alongside Christoph Kaufmann, managing director, head IPS FX structured products, who also left the bank's asset management arm at the end of last year and joined Julius Baer in July.

**Barclays hires Nomura's ex-EQD trading head to lead Apac**


**Jean-Baptiste Patois** (pictured) has been appointed as managing director, head of equity derivatives ex-strategic derivatives, Asia Pacific (Apac) at Barclays, effective from today (21 November), according to a spokesperson at the bank.

Based in Hong Kong SAR, Patois is responsible for leading exotics and flow derivatives. He reports regionally to Hossein Zaimi (below right), head of markets, Apac, and functionally to Ashish Prabhudesai, global head of structured derivatives and non-US flow.

SRP has learned that this is a newly created role.

Patois joined the British bank from Nomura where he spent four years most recently serving as managing director, head of EQD trading, Asia ex-Japan.

Prior to that, Patois worked for Credit Suisse based in Hong Kong SAR for over five years running the EQD business across the region. Before relocating to Hong Kong SAR in 2008, he was with Société Générale in New York, Paris, and Tokyo, with his most recent role at the French bank as an EQD trader.

'We are delighted to welcome JB to Barclays which underscores our strong dedication to the growth and success of our equity derivatives business in the Apac markets franchise,' said Zaimi. 'His appointment is also [a] testament to our focused efforts in consistently delivering outstanding results for our clients and driving accretive returns in Apac'.

Barclays' latest appointment comes after **Yun Zhang** became the sole head of macro trading for Apac in May, who also reports to Zaimi, as well as Michael Lublinsky, global head of macro. Zhang leads the bank's structured rates business in the region and has also been in charge of the flow business since last September.

Product-wise, in Japan, Barclays has issued 37 structured products year-to-date, with the majority tied to Japanese interest rates, according to SRP data. Other underlyings include the Nikkei 225, S&P 500 and Barclays Multi Asset Switch RC 2.5% JPY O Index.

In the US market, Barclays has seen a rebound of structured notes issuance in the first half of the year following the over-issuance incident. In its home market, the UK bank partnered with Meteor Asset Management to launch the protected Phoenix deposit tied to the FTSE 100 in June.

**UBS sets out new structuring organisation, onboards senior CS bankers**


The Swiss bank has announced new roles as part of the wider organisational restructuring following the integration of Credit Suisse (CS).

UBS has announced a raft of appointments and a new set up for its structuring organisation which will organise operations vertically by global product, and horizontally by streams and regions, according to a memo seen by SRP.

The memo, signed by the bank's global head of derivatives and solutions structuring, **Spyros Mesomeris** (pictured), noted that 'structuring will continue to be organised vertically by global product pillars and horizontally by streams and regions, working in a fully interlinked manner to ensure seamless delivery of products and solutions to our clients'.

Four of the bankers assuming senior management roles come from CS and will join eight other appointments set to lead vertical global product pillars and horizontal streams.

Julien Bieren, former global head of EQD exotic structuring in London at CS, will head equity structured solutions globally with Ramzi Issa leading structured credit & sustainable credit products, also globally.

Bieren joined CS in November 2005 as a director in structuring and climbed through the ranks to become one of the most senior equity derivatives exotic structurers at the bank, in London. Prior to his last role, he was global co-heads of equity derivatives exotic structuring alongside New York-based Thibault Dufour.

Issa, who is based in New York, was in charge of credit structuring at CS over the last few years. He joined the Swiss bank in 2007.

Also joining from Credit Suisse are Adrian Bracher as head of macro structured solutions (rates & FX) and Romain Barba who will share responsibilities for Apac structuring with Ahmad Chaudry who will have an expanded role in charge of the wrapping solutions horizontal streams. Bracher spent the last 20 years at CS, most recently as global head of macro structuring.

Barba assumed in February a larger role in charge of equity derivatives and investment solutions in Apac at CS. Prior to that, he was head of EQD and investment solutions structuring Japan, based in Tokyo.

The remaining vertical global product pillars including QIS structuring and fund derivatives and structured finance solutions will be led by Giulio Alfinito and Richard Walters, respectively.

In addition, the new structure of the horizontal and regional streams will see Chris Cook taking charge of Americas structuring; Erica Yeu as head of wealth management solutions; Hannah Vinci as head of strategic projects; and Mesomeris as head of Emea structuring in addition to his global responsibilities.

As the integration of teams and activities into UBS continues a number of CS managing directors have exited the investment bank division, including David Miller, former co-head of the investment bank and CEO of Americas; Ken Pang, former global co-head of investment bank and global co-head of markets; Tomoyuki Sasai, former head of solutions and sales for Japan who's joined Société Générale along with Ryosuke Ishizawa and Yuichi Shida; Charles Firth, former head of solution sales for Southeast Asia; as well as Clement Florentin, former co-head of QIS distribution structuring for Asia ex-Japan who's joined Nomura in Singapore and Bogdan Ianev, ex-head of volatility solutions for Americas who's re-emerged at Mizuho in New York.

## MSCI taps EQD veteran to lead Japan



MSCI has appointed **Ryoya (Tera) Terasawa** (pictured) as head of Japan client coverage based in Tokyo.

Terasawa is responsible for leading the US index provider's commercial activities in Japan, managing key client relationships, with a reporting line to Kazuya Nagasawa, head of Asian Pacific (Apac) client

coverage in Hong Kong SAR. Nagasawa took Terasawa's current role in 2012 joining from Goldman Sachs.

Prior to joining MSCI, Terasawa spent over 20 years at J.P. Morgan where he started his career in Tokyo as a fixed income derivatives sales before moving to London, and then relocated to

Hong Kong SAR focusing on equity derivatives (EQD) trading and structuring. Most recently, he was the US bank's head of Japan sales and marketing, serving institutional clients.

Additionally, Chitra Hepburn has taken an expanded mandate as head of South and Southeast Asia client coverage, based in Singapore. She also reports to Nagasawa and heads ESG & climate client coverage for Apac in her existing role.

## RBC Capital Markets



**Paul Adams** (pictured) has parted ways with RBC Capital Markets, the investment banking arm of Royal Bank of Canada, after 13 years of service. He was managing director, head of flow EQD and cash equity sales for Europe, managing over 30 sales across London, Frankfurt, Geneva and Paris, since 2019.

His registration with the Canadian bank terminated on 31 October, according to the Financial Conduct Authority (FCA). There's 'no update' on Adams' successor at the moment, a spokesperson at RBC Capital Markets told SRP.

Adams joined RBC in London in 2010 as head of UK, Nordic & Israel, structured solutions, alongside a number of bankers across sales and trading as the Canadian bank beefed up its investment in its European platform with the aim of expanding its legal wrappers, underlyings, payoffs and client service hub. Adams' appointment coincided with RBC's push into structured investments across Europe in 2011, which saw the Canadian bank becoming a top ten issuer in the UK market.

Prior to that, Adams spent two years at Nomura International as head of UK multi-asset structured product sales, UK retail and private banks, also in London.

Earlier this year, RBC Capital Markets hired Charles Liber as head of EQD flow sales for Continental Europe based in Paris, with a reporting line to Adams.

## Fig Investments



Volatility Labs Inc (Fig Investments) has announced the addition of **David Schaffner** (pictured) as the firm's strategic advisor.

In this new role, Schaffner, a senior wealth management executive, will provide support Fig Investments as the startup

## PEOPLE MOVES

embarks on its next phase of growth in 'democratizing the structured products market'.

Most recently, Schaffner was the president and CEO of CWB Wealth Management from 2016 to 2020, when he transitioned into semi-retirement as a strategic wealth consultant. In this role, he spearheaded the establishment of Canadian Western Bank (CWB)'s wealth management division and integrated its various bank-owned wealth subsidiaries, according to Fig Investments.

Fig is seeking to bring transparency and facilitate access to the structured note market through its software platform.

### Amundi



The French asset manager has appointed **Benoit Sorel** (pictured) as global head of ETF, indexing & smart beta. He succeeded Arnaud Llinas, who has left the firm, according to a spokesperson at Amundi.

Most recently, Sorel was managing director at BlackRock, where he was head of product for ETFs and index investing for Europe, the Middle East and Africa (Emea), based in London from 2018. Before this, Sorel was heading sales for ETFs & index investing for France, Belgium, Luxembourg and Monaco.

Sorel also held senior positions in business development on EQD, corporate and investment at Crédit Agricole from 2007 to 2011 following a one-year stint at Bank of America. He began his career in 1999 at the French bank's Indosuez in Indonesia.

### Standard Chartered Bank



Standard Chartered Bank (SCB) has promoted **Vinay Gandhi** (pictured) to global head of South Asian community and regional head of Europe, the Middle East and Africa (Emea), private banking, effective from 1 January 2024.

The UK bank's private banking business in Singapore has 'witnessed robust growth' under Gandhi's leadership over the past two years. In this expanded role, Vinay will be responsible for an increased mandate to spearhead one of SCB's largest businesses.

In addition, Foo Tian Ong has been appointed regional head, Southeast Asia and Singapore location head, private banking,

effective from December. Based in Singapore, Ong will join from UBS where he was most recently business sector head for Thailand and the Philippines, and was also responsible for non-resident Indian (NRI) and Vietnam.

The latest appointments come on the heels of the hire of Mike Tan who joined SCB as global head, wealth planning & family advisory in September, and Fred Leung who joined as head, solutions partners, to lead the delivery of one-bank corporate solutions for UHNW clients globally earlier this year.

### Bank of Singapore hires CS senior private banker



**Rickie Chan** (pictured), head of global wealth management for Greater China at Credit Suisse, will join Bank of Singapore, the private banking arm of OCBC Bank, as head of private banking, Greater China, Hong Kong branch, on 15 February.

Chan has worked for Credit Suisse since February 2014 – his registration with the Swiss bank remains active, according to the Hong Kong Monetary Authority. Prior to that, he was registered with Barclays Bank for one year.

In his new role, Chan takes over from Teresa Lee, who will become the vice-chair of Greater China, Hong Kong branch with a mandate of serving this region's ultra-high net worth individuals and families.

Chan will join the bank's management committee and report to Bank of Singapore CEO Jason Moo, while Lee reports to Moo on a functional basis.

Shovit Sahai has officially joined Bank of Singapore as head of product management group, Dubai International Financial Centre (DIFC) branch. Sahai was poached from BNP Paribas Wealth Management where he was managing director, head of structured products and derivatives, Asia.

In his new role, he reports functionally to Singapore-based Vivienne Chia, head of investment advisory solutions, alternative investments and managed solutions as well as locally to Ranjit Khana, global head, Middle East chief executive, DIFC branch.

Sahai joins OCBC's private banking arm from BNP Paribas Wealth Management in Singapore, where he worked for the last six years as its Asia head of structured products and derivatives.

Prior to that, he spent 14 years in Citibank's London and Singapore offices serving in various capital markets, advisory and product management roles.



SRP



Connected  
Intelligence