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IDAD, RBC partner for range accrual on SPX

IDAD has launched US Income Deposit Plan Issue 1, November 2023 in the UK. The six-year capital protected plan offers access to the S&P 500 with Royal Bank of Canada (RBC) acting as the deposit taker.

The product features an upper barrier of 123.5% a lower barrier of 75% of the initial strike and offers a coupon of 10% pa providing the index closes between the upper and lower barrier levels on any annual observation date.

"This product shape has been popular with investors looking for a chance of higher income – preferring the income rather than the growth," said Clive Moore (pictured), portfolio manager and managing director, IDAD.

"The range accrual style of product isn't that prevalent but seems to resonate with advisers and their clients who are expecting rangebound markets – albeit pretty wide range markets," he said.

Combining the shape with the 100% capital protection/financial services compensation scheme (FSCS) structure gives investors the confidence they seem to want, according to Moore.

"They're risking their interest in the hope of doubling it, or thereabouts," he said.

The plan is the sixth range accrual marketed by IDAD since May, and the first linked to the S&P 500, with the remaining five structures all tied to the FTSE 100.

The latter include the UK Income Deposit Plan Issue 5, November 2023 – currently open for subscription – which offers a potential coupon of 7.50% pa and upper and lower barriers of 120% and 80%, respectively.

"The S&P 500 option was to take advantage of wider range where we felt there was a bit more value than FTSE 100, also, it's an option for advisers and clients who want alternative exposure," said Moore.

Year to date, the company has distributed 21 deposit plans in the UK, and although not set in stone, IDAD concentrates on offering deposits to the retail market.

"Separately we arrange capital at risk products for particular advisers on a regular basis, but tend not to launch them as general offers," said Moore.

The range accrual payoff features in seven products in the UK this year. Apart from the six that were available via IDAD (all of which were issued via RBC) these include the FTSE 100 Income Builder Plan, which was distributed via Mariana in February.

The SRP UK database lists 110 live structured products from IDAD, dating back to February 2018.

The structures are worth an estimated £235m (US$285m) and were issued in collaboration with 12 different issuer groups, including, among others, Goldman Sachs (28), BBVA (23), Barclays (13), RBC (seven), and BNP Paribas (five).

Some 59 of the live products featured the autocall payoff; 36 were callable; 27 offer leverage upside; six were range/accruals, and five were digitals.

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The S&P 500 option was to take advantage of wider range where we felt there was a bit more value than FTSE 100, also, it's an option for advisers and clients who want alternative exposure

Crelan targets French banks, CMS success story continues

The Belgian bank has launched four CMS-linked products since the end of last year.

Crelan has collected €128m with the Natixis (FR) Fixed to Floating CMS linked Coupon 2029 in Belgium.

The bank's latest product on the constant maturity swap (CMS) rate offers a fixed coupon of 4.10% pa for the first three years of investment. From years four to six, a variable coupon equal to two-times the difference between the 30-year EUR CMS rate and the five-year EUR CMS rate is paid.

The variable coupon is subject to a minimum of two percent and a maximum of five percent pa. At maturity, the structure returns 100% of the nominal invested.

The product is the fourth fixed to floating rate coupon note linked to CMS rate distributed by Crelan since November 2022. The first two were issued on the paper of Société Générale; the third product was launched in collaboration with BNP Paribas; and the current issue is manufactured by Natixis.

"We always ask several partners about a specific product proposal," said Koen Theys, product, market & marketing specialist at Crelan.

Once the respective issuers have provided their product conditions, the Belgian bank comes up with a proposal based on those conditions and the concentration level of the partners.

"We like to diversify and do not want too much turnover from one particular partner in our network," said Theys.

After a long period of low interest rates, it finally became possible again for Crelan to offer structures with an attractive coupon at the end of last year.

Previously, the bank had mostly focused on products linked to a single equity index that pay a potential return at maturity, but keen not to miss this opportunity it opted for an interest-linked coupon paying proposal instead.

The product in question, Société Générale (FR) Fixed to Floating CMS Linked Coupon Note 2028, sold €150m during its subscription period and the three products that followed gathered combined sales of €475m, according to SRP data.

"The first emission was a great success, which made us realise that the demand for such products was very high, and after that we released three more emissions which also sold incredibly well," said Theys.

However, Theys is unsure yet if the bank's next emission will be another interest-linked product.

"We are now considering whether to continue with this type of structure or whether to switch to an equity-linked product for the next issue, in order to diversify our portfolio," said Theys.

Some 38 interest-linked products worth an estimated €1.6 billion have been publicly offered in Belgium in 2023 to date, up from 36 products worth €825m in full year 2022, according to SRP data.

Apart from Crelan, this year's interest-linked offering included, among others, two products from Belfius that sold €521m; 16 products distributed by Deutsche Bank (€300m); nine by BNP Paribas Fortis (€145m); and one by Nagelmackers (€58m).

Crelan's Fixed to Floating CMS linked Coupon Notes are also distributed via the branch network of AXA Bank Belgium.

> "The first emission was a great success, which made us realise that the demand for such products was very high

SSPA: structured products enhance pension funds' toolkit

The Swiss Structured Products Association (SSPA) has published the handbook Structured Products and Derivatives for Pension Funds.

The aim of the handbook is to improve the understanding of structured products among pension fund portfolio managers and to present the advantages and risks of structured products in a transparent manner, according to Thomas Wicki (pictured), board member of the SSPA.

"Structured products and derivatives have been successfully utilised by many institutional investors in Switzerland," said Wicki, who is confident that structured products can also add value within pension fund portfolios.

"Due to their unique features and flexibility, [structured products] can complement an existing portfolio or enable a pension fund to access an asset class or risk premia in line with its desired risk tolerance," he said.

In the handbook the authors discuss the macroeconomic and regulatory environment, and the resulting investment implications for pension funds. They look at risk management and structuring opportunities and discuss legal aspects as well as the main features and risks of structured products that pension funds need to consider.

Why are structured products currently only make up a very small proportion of pension fund portfolios?

Thomas Wicki: The SSPA believes that due to the technical complexity of the products as well as the legal and regulatory aspects, Swiss pension funds have been holding back from investing in structured products.

In addition, the fact that structured products customised for institutional investors are less well known than the traditional structured products with payoff-profiles more suitable for private investors, may also have prevented pension funds from investing. The handbook, together with an additional presentation with practical case studies on how pension funds can utilise structured products, aims to address these challenges.

An additional complexity was that structured products were considered as not cost-transparent for pension funds until 2019, which resulted in additional disclosure requirements for pension funds. With the cost transparency concept of the SSPA, which was approved by the Occupational Pension Supervisory Commission at the end of 2019, this complexity was removed.

What are the opportunities and risks for the use of structured products in pension funds?

Thomas Wicki: Structured products have unique features and are flexible and efficient instruments.

They allow pension funds to access traditional as well as non-traditional asset classes with a targeted risk-return profile, which meets the specific requirements of the pension fund. This well positions structured products as additional investment instruments which can enable pension funds to achieve the required returns, also in challenging market environments.

Understanding the opportunities and risks of the products is of course very important.

Why does the SSPA believe that structured products can make an important contribution to pension funds?

Thomas Wicki: With structured products, pension funds can access investment profiles and risk premia, which are not easily available via other investment vehicles.

Even though pension funds are long-term investors and often prefer linear payoff profiles, they must regularly report their financials, including the coverage ratio. Therefore, a product with an asymmetric payoff profile, for example with a partial downside protection, can be a suitable investment.

In addition, a pension fund may want to enhance a bond portfolio with credit-linked notes or add a particular risk premia to its portfolio which can be more efficiently accessed via a structured product than with another instrument.

Overall structured products and derivatives enhance the toolkit of instruments available to pension funds.

Vox pop: funds of structured products – back in the black

SRP asked four fund managers about the performance of their fund in the first half of 2023, their highlights for June, and their expectations for the rest of the year.

Finanzlab Multi Index Fund

Vincent Bonnard (pictured), founding partner, Finanzlab.

Despite challenging market conditions, our fund has delivered a strong and consistent performance since its launch in October 2021. In 2022, we posted a positive performance of 1.82% and end-June 2023 we closed at an impressive 8.58% in Swiss francs. The fund's defensive strategy has also worked well, with annualised volatility of just 6.1% and a max drawdown of 5.11% since launch.

In June, we took advantage of several early redemptions to diversify the portfolio, increasing the number of indices used as underlyings, and staggering maturity dates. The number of positions held by the fund also increased, and we were able to add new issuers.

For example, we traded with Luzerner Kantonalbank a Conditional Coupon BRC on a basket comprising Eurostoxx 50, S&P 500 and Swiss Market Index, and with BBVA a Conditional Coupon BRC on a basket comprising ASX 200, Hang Seng and Kospi 200.

We are introducing our brand-new reporting platform Strukif, which provides investors with detailed fund information, performance analysis and comparison tools. Additionally, it grants access to all available documentation, ensuring transparency and clarity for our valued investors.

As we look ahead to the rest of the year, we have great confidence in the fund's performance. The portfolio has been carefully curated, and we continue to receive steady coupons from our existing positions, which bolster the overall performance.

Despite a recent decline in market volatility, we have maintained an attractive average coupon, demonstrating our ability to generate returns even in calmer market conditions.

One of the key strengths of the fund lies in its resilience during challenging times. In the event of a market downturn, the current buffer to the capital barriers is substantial, enabling us to withstand significant shocks of 40% to 50%, depending on the product.

In conclusion, our expectations for the rest of the year are optimistic. The strength of the fund's portfolio, combined with its ability to preserve capital in the event of a market downturn, makes it an appealing investment choice for those wishing to remain invested, even after the recent market rally.

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The portfolio has been carefully curated, and we continue to receive steady coupons from our existing positions, which bolster the overall performance

Vincent Bonnard

Ballybunion Insignia Defined Returns Fund

Peter Murphy, founder and managing director, Insignia Financial.

At the end of June, we reached €27m, but as of today, we are already at about €28.5m. Pretty much everything in our book has done well.

One of the biggest contributors is a long-held position we have in airlines, with a very strong coupon. It has been very volatile and a rough ride, but it has improved hugely. It is the biggest position in the fund, and it is likely to add considerably more value.

We have also had some success with Eurostoxx Banks, a position that matured in early June. The index itself was up nine percent and we were up 26% on the position on the note. It has been going great across the board.

We have had strong positions in tech, luxury and we have just taken out some insurance positions, slightly more boring. We are somewhat de-risking the portfolio a little bit and are holding quite a bit of cash now.

Our realised gains within the portfolio have been nearly 100%. We only have one position that we think may not work out, but that is well within the tolerance of the fund.

First and foremost, we are an autocall fund. It will be always at 80-85% of what we do, because that is how you generate the defined return, but there are occasions, when vol is low and where interest rates dictate that you can find value elsewhere as well.

Recently, we have added a twin-win to the portfolio, and we just traded a shark note – fully protected with participation on the upside. Our mandate allows us to do other things.

Our product is fantastic for the institutional market, but we are probably just a little too small at this point. Our primary focus has been on the IFA market in Ireland where we have big aspirations. We're talking to a very large international life company, and we're hoping to be added to their platform shortly. That would be huge because it would open a whole new market for us.

If the market ticks along, which we think it will – just kind of going sideways – that would be perfect for us, then I think we can certainly add to the gains we've seen already this year.

The portfolio remains very well positioned. The mix of stocks underlying the notes in the fund is high quality and the defensive structure of the notes allows us to have a lot of confidence around future performance.

With volatility low, we have been consciously building cash levels to be in a prime position to act once pricing conditions inevitably improve.

We are very confident that we will deliver the 7-9% target return, and it will probably be at the higher end of that over the rolling five-year period.

Mondriaan Structures Fund

Jeroen Sinnige, managing director portfolio management, Mondriaan Asset Management.

The value increase of our fund in 2023 is now above seven percent. In June, some structures with a slightly lower buffer to the redemption barrier were autocalled at 100%. All coupons were also paid out and the average distance from the worst to the redemption barrier has therefore increased.

The conversion of investments in notes into the individual building blocks is almost complete. The fund still has one note in the portfolio with a weighting of less than one percent of the total assets. This means that more than 99% is invested via the individual building blocks.

These are the derivatives that normally form part of a note. For funding we use short-term bonds from the Dutch, French and US government. You could say that the risk on financial institutions has become minimal.

All things being equal, expectations for the rest of the year are in line with the coupons we are now receiving on new products, time-weighted of course, although changes in volatility and in the performance of the indices can affect the value development.

MGTS Idad Refined Growth Fund

Clive Moore, portfolio manager and managing director, Idad.

The Refined Growth Fund has been running for almost two years now and it has been 12 months since we implemented a strategy refinement.

While the AuM is still principally comprised of our own money and some from specific mandates we run, we are pleased the strategy matches our experience and expectations in terms of performance and are beginning to market slightly more widely.

The year 2023 has been a very interesting year in terms of equity market performance but the geographic spread and pay-off variety continues to serve us well.

Our strategy of incorporating secondary market trades into the portfolio, particularly trades close to final maturity, has worked well as spreads and implied risk premia close.

The market outlook for H2 2023 has been improving, but we maintain a focus on protecting capital as much as targeting the higher returns that are available because of higher interest rates.

While new investments should deliver higher returns than some did 12 months ago, we have incorporated stronger defensive features as well, and the fund will continue to deliver growth even when traditional equity investments fail to do so.

Swiss boutique targets self-directed investors

Swiss boutique CAT Financial Products (CATFP) has listed its first exchange-traded product (ETP) on the SIX Swiss Exchange.

CATFP is entering the listed products segment after receiving authorisation from FINMA to operate as a securities firm tapping into a new target group consisting of self-directed private investors.

'ETPs play an important role in our business strategy. The goal is to give private investors access to new markets, professional strategies and future themes and to make them tradable,' said Roman Przibylla (pictured), head public solutions.

CATFP's ETPs are issued using SIX's Triparty Collateral Management (TCM) collateralisation solution which reduces the issuer's default risk. The pledged collateral is held in custody at SIX SIS Ltd and SIX Repo Ltd, as collateral agent; it is responsible for the daily monitoring of the collateral.

The new ETP tracks the performance of the Obermatt Swiss Pearls Index which is an index developed by the Obermatt Institute, a non-profit organization based in Zurich.

The index is made up of 36 of the top-ranking stocks that provide a well-diversified and representative selection of quality stocks on the Swiss stock exchange. The selection of stocks in the index is based on Obermatt's rule-based 360° View on value and growth.

GenTwo and Swissquote enter into partnership

Swiss B2B fintech company GenTwo has teamed up with online bank Swissquote as a partner network in a move to strengthen its financial engineering network.

The partnership will enable Swissquote clients to have access to GenTwo's services, allowing them to create Actively Managed Certificates (AMC) in collaboration with Swissquote across a wide range of assets, including traditional equity, foreign exchange, derivatives, structured products, commodities, and digital assets.

This partnership further positions GenTwo as the provider of the most advanced AMC solution available in the current financial market, and so further enhances its value proposition, according to Philippe A. Naegeli, CEO and co-founder of GenTwo.

Germany's DDV renames as Bundesverband für strukturierte Wertpapiere (BSW)

The German Derivatives Association (Deutscher Derivate Verband, or DDV), the industry representative body of the issuers of structured securities in Germany, has changed its name to the German Structured Securities Association (Bundesverband für strukturierte Wertpapiere, or BSW).

'With the change of the name to the BSW, we are replacing the technical term of derivative,' Henning Bergmann and Christian Vollmut, co-CEOs of the association, said during the presentation of the new association name at the annual industry forum in Frankfurt, initially reported by local media.

'In doing so, we are positioning structured securities where the majority should be classified: shoulder-to-shoulder between the traditional security categories of bonds and equities,' they said.

'As genuine securities, our members' financial products deserve to be called such,' Vollmuth highlighted, adding the qualifications these member institutions have, such as having 'prospectuses approved by the supervisory authority,' 'transparent payout profiles,' 'are listed on stock exchanges,' and 'use the entire infrastructure of securities trading and settlement'.

The 15 member institutions of the BSW, such as Barclays and BNP Paribas, account for a market volume of structured securities amounting to €95 billion, according to the association. Investment products comprise over 97% of this market volume, with leverage products accounting for the remainder.

Top issuers Americas H1 2023: US top three reshuffle, CIBC, Monex hold firm

Sales volumes remained stable at US$54.4 billion despite an 8.4% increase in issuance: from 15,779 in H1 2022 to 17,106 this time around.

The latter was reflected in the average sales volumes, which fell to US$3.2m per product (H1 2022: US$3.5m).

J.P. Morgan replaced Goldman Sachs as the largest issuer, obtaining a market share of 15.5% on the back of selling 3,874 products worth US$8.4 billion – a 6.1% increase year-on-year (YoY).

The bank's products were linked to a group of 283 underlying assets, a decline from 330 in H1 2022. Its preferred underlyings were S&P 500 (1,879), Russell 2000 (987) and Nasdaq 100 (700).

Citi captured 14.1% of the US market, collecting US$7.7 billion from 2,382 products while Goldman gathered a combined US$5.8 billion from 1,752 structured products issued, which translated to a market share of 10.7%.

Morgan Stanley remained in fourth place with sales of US$5.6 billion from 1,996 structured notes – stable YoY – representing 10.3% market share.

Next in line was Barclays, which advanced from eighth place after doubling its sales volume to US$4.8 billion (from 1,281 products). Approximately 88% of the bank's offering was linked to equity indices or stocks, while ETF, hybrid assets and interest rates accounted for 81, 50 and 25 products, respectively.

UBS issued 1,673 products valued at US$3.5 billion (6.4% market share) which was a decline from the prior-year period when it collected US$4.3 billion from 2,446 products.

It's noteworthy that Credit Suisse only issued 69 products worth US$115.7m during H1 2023, a stark contrast with the prior year semester when it was the seventh largest issuer on the back of 876 products that were worth US$2.9 billion.

The Swiss bank's most recent issuance was traded mid-March when its forced merger with UBS was announced.

There were 18 active issuers in the semester (H1 2022: 19) including National Bank of Canada (NBC), which did not participate in the prior year period but first joined the US issuer ranks with autocallable notes in July 2022. NBC issued 10 structured notes in H1 2023.

The S&P 500, which featured in 7,897 products (US$25.8 billion) was the main underlying in the period.

Canada

NBC was also active in its domestic market, where it held a market share of 16% in H1 2023, second behind Canadian Imperial Bank of Commerce (CIBC).

The latter remained the number one Canadian provider, increasing its market share by 5.2 percentage points to 23% in H1 2023. It sold 575 products in the first six months of the year – mostly autocalls linked to a single equity index.

Scotiabank claimed 8.9% market share in H1 2023 while other issuers included Toronto Domion Bank, Royal Bank of Canada, and Desjardins.

The most used underlying in the semester was the Solactive Canada Bank 40 AR Index, which was linked to 924 products that collected US$1.6 billion.

Mexico

Monex was once again the main issuer in Mexico. It increased its market share to 72% in H1 2023 – up 13 percentage points YoY.

The financial services provider launched 1,913 structured products worth MXN111 billion (US$6.1 billion) in the period.

iCapital introduces new portfolio analytics tool

US fintech platform iCapital has launched iCapital Architect, a portfolio construction tool to empower financial advisors to build personalised client portfolios incorporating alternatives and structured investments.

The tool enables advisors to evaluate alternatives and structured investments alongside traditional assets and design portfolios that align with their clients' return objectives and risk profiles. Among the features are resources for evaluating historical performance and running institutional-quality risk factor analysis, according to a statement from iCapital.

'Advisors have long expressed a need for more comprehensive tools to effectively evaluate the inclusion of alternatives and structured investments in client portfolios,' said Lawrence Calcano, chairman and CEO of iCapital. 'These investments have been the blind spot in many portfolio construction offerings.'

Top underlyings Americas H1 2023: Nasdaq is back, Canada favours thematics

In the US retail structured note market, H1 2023 sales volumes remained stable at US$54.4 billion despite issuance increasing to 17,106 products (from 15,779 in H1 2022), according to SRP data.

The S&P 500 was used as a single index in 3,774 products worth US$15.6 billion – the equivalent of a 28.7% market share. Its volume was up 10.6% YoY.

The 611 products linked to interest rates made up 12.4% of the market, on the back of 611 products sold at US$6.7 billion, which represented a 23.9% decline in sales volume from H1 2022.

A basket comprising Nasdaq 100, Russell 200 and S&P 500 continues to be the third most favoured pick despite a drop in sales volume to US$4.9 billion (H1 2022: US$3.3 billion). The SPDR S&P 500 ETF Trust gained traction as 214 products were sold at US$1.6 billion on the exchange-traded fund (ETF), a 1.5-fold increase YoY.

Sales linked to the Nasdaq 100 as a single index increased to US$943.4m – up 43.8% year-on-year (YoY). The volume was generated from 240 products (H1 2022: 150 year).

In the equity space, the single stock of Amazon was the most popular with US$436.3m in sales volume (187 products), 40.4% higher YoY. Trailing closely behind were Apple and Tesla in the form of single stocks, which collected US$427.6m and US$399.4m, respectively. The volume translated to a respective fall of 30.1% and 37.7% YoY.

Canada

Compared with US, the Canadian market saw greater change and less concentration in global headline indices in terms of top underlying assets by issuance. In H1 2023, a total of 2,431 structured notes were issued, a decrease from 3,433 YoY.

The Solactive Canada Bank 40 AR Index continued to top the league table. It was used as the underlying index for 815 structured notes during the semester, nearly doubling its issuance from the prior-year period. The Solactive Canadian Large-Cap 100 AR Index advanced to the second place. It was seen in 121 products, compared to just 15 in H1 2022.

It replaced the Solactive Equal Weight Canada Banks 5% AR Index, whose issuance fell to 20 (from 246 in H1 2022).

Next in line is the share basket of Canadian Natural Resources, Cenovus Energy and Suncor Energy, which is linked to 103 products. The S&P 500 dropped one place to fourth, with issuance down to 82 products (H1 2022: 180).

The Solactive Canada Utilities 105 AR Index completed the top five, replacing the Solactive Canada Insurance AR Index.

Mexico

There were 2,907 structured notes issued at MXN154.9 billion (US$9.1 billion) in the country in H1 2023, up 6.5% YoY. Some 2,700 products worth MXN128.4 billion were linked to the appreciation of the Mexican peso relative to the US dollar. They were mostly dual currency notes or range/accruals with a maturity of one or two weeks.

The remaining 207 products were linked to the interbank equilibrium interest rate (TIIE 28). They offered 100% capital protection and gathered sales of MXN16.6 billion.

US advisory launches third party investment solutions platform

On 8 August, NewEdge Wealth, the US registered investment advisor introduced NewEdge Investment Solutions platform, which is ‘designed to provide third-party financial professionals and institutions with access to many of the same strategies it utilises to help their own ultra-high-net-worth (UHNW) clients achieve their goals’.

The new platform aims to provide investments ‘that are hard to get into, find or have structural advantages themselves’, stated the firm, a division of NewEdge Capital Group. The company highlighted its ‘innovative approach to investing in structured notes and creating managed investment strategies that utilise them’.

‘In combination with providing NewEdge Wealth's ultra-high net worth clients with a highly personalized approach to wealth strategy, we believe we have unlocked several investment strategies that adapt to the ever-changing market landscape,’ said Rob Sechan, CEO and co-founder of NewEdge Wealth.

‘Our strategies are designed to deliver superior outcomes while producing returns which may be difficult to achieve through conventional equity and bond markets,’ he added.

MerQube gets further backing

Indexing technology company MerQube has raised US$22m in Series B funding - the investment round was led by Intel Capital with participation from new investor Allianz Life Ventures, and existing investors Citi, J.P. Morgan, Laurion Capital Management and UBS.

In conjunction with the financing, David R. Mueller, investment director at Intel Capital, will join MerQube's board of directors.

MerQube's cloud native SaaS platform and API-first solutions are designed and built to address and unlock unmet demand for index-linked investments, a market valued at US$17 trillion which is evolving rapidly with assets expected to reach US$30 trillion by 2027, according to Vinit Srivastava (pictured), CEO at MerQube.

'The support of a leading technology V.C. firm such as Intel Capital will be instrumental as we deliver on our vision to close the fintech gap in passive investing by providing the best technology available to enable innovative rules-based investment solutions,' he said. 'The participation of a powerhouse such as Allianz Life Ventures will provide strategic direction in the insurance market as we continue to expand to meet the needs of a diverse client base.'

In May 2023, MerQube received FCA authorisation under Benchmarks Regulation (BMR) and in September 2022, it confirmed its adherence to International Organization of Securities Commissions (IOSCO) principles for Financial Benchmarks.

MerQube is one of the latest entrants to the structured products market and has established its MerQube's US Tech+ Vol Advantage Index as one of the highest selling thematic indices in the US market – the index was used in 246 products issued via J.P. Morgan in the US worth US$74mn in 2022.

MerQube plans to deploy the funds raised to further expand its engineering capabilities and platform infrastructure, scale its talent, and continue to expand into its key markets.

Financial advisor's ETN craze cost clients US$11m

A financial advisor who was the principal of an RIA for 21 years racked up more than $11 million in client losses by selling investment products he didn't understand, according to US state regulators.

Thomas M. Chadwick of New London, New Hampshire-based Chadwick & D'Amato has been accused of investment fraud as it recommended that his clients invest 50% to 92% of their portfolios in a Credit Suisse exchange-traded note (ETN) and held shares in the highly volatile real estate product for an average of 386 days, state regulators said.

The New Hampshire Secretary of State's Bureau of Securities Regulation secured an order for relief on July 27 alleging that his activities cost clients US$11.1 million in losses between 2017 and 2021.

According to the regulator's order, Chadwick 'displayed a fundamental misunderstanding' of the 'complexity and risk' of the Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT ETN, which was delisted in December 2021 amid steep losses in value during the pandemic.

'[Chadwick] failed to act in his clients' best interests and breached his fiduciary duty of care and loyalty,' stated the regulator's order.

The order also noted that Chadwick's clients were primarily low-to-moderate risk investors including elderly and retired individuals 'who relied on fixed income disbursements'.

The value of the CS ETN fell steadily from the mid-twenty-dollar range in late February 2020 to just US$0.52 per share — its lowest value — on 18 March 2020.

The state regulator is requesting a permanent bar against Chadwick from securities licensure in New Hampshire and restitution of US$11,108,725.09 plus statutory interest for Chadwick's investors.

Additionally, the Bureau requests that Chadwick pay a fine, investigation and enforcement costs, and other equitable relief. In April 2022, the Bureau filed a petition for emergency relief against Chadwick in a separate case, alleging he fraudulently accessed his former clients' Fidelity accounts.

Monex debuts Sofr play

Monex Grupo Financiero has launched the first ever product in Mexico linked to the CME TERM SOFR 1M Coupon Range.

The new interest rate structure which has a term of 184 days is fully protected and will pay six coupons of 5.90% throughout the term.

The product created by Monex's Derivatives Desk is the first structure in the Mexican Market using the CME TERM SOFR 1M as the underlying.

"We practically stopped issuing TIIE-linked notes two years ago because it was difficult to offer value to our clients but last year, we saw an opportunity to relaunch the business and compete with other players in the rates space," said Alan Huitrón Fernández (pictured), senior rates derivatives trader at Monex.

Rates-linked products have always been Monex's flagship product, and a differentiator for the provider over the years in Mexico. The company retained its crown as the top issuer of structured products in Mexico in 2022 with more than 60% market share.

"The launch of the new CME TERM SOFR-linked structure is the first of many as there is market demand. The idea is to take advantage of the transition in the rates space from LIBOR to SOFR which opens opportunities to offer new notes linked to US dollar rates," said Huitrón.

"We chose the CME TERM SOFR 1M because it is calculated by a recognised exchange - our clients are already familiar with the structure, as well as the coupon payments and the full protection this kind of structure offers."

At the moment and given the rates environment, Monex is not looking at deploying other reference rates but will seek to play with different maturities to offer choice to investors.

"Most of the issuance are three-month structures but we have also starting to close at six, seven and nine months so that we can position our clients in different maturities with the same underlying," said Huitrón.

> We expect the CME TERM SOFR notes to resonate among our clients

Monex which has raised over MX14 billion (US$875 million) it resumed the issuance of TIIE 28-linked notes in October 2022 is seeking to replicate this success with the new SOFR-linked notes.

"It's a bit of a change of chip for us as this is a new product. We expect the CME TERM SOFR notes to resonate among our clients as we saw with the TIIE notes," said Huitrón, adding that the notes will focus on the short term.

"All of our notes are practically dominated by the short term, which is where we have the highest volume. In the current context it is difficult to introduce the three-month product given the Bank of Mexico's decision to stop rates increases until next year."

According to Huitrón, the three-month term has practically extinguished which has forced Monex to migrate all structured notes to six and nine-month investment terms.

"Now we are focusing on modifying the renewals to longer investment terms in order to be able to continue rolling over products that reach maturity," said Huitrón.

Monex's dual currency notes continue to be the main offering product – this product range comprises bonds, duals and notes with capital protection with investment terms of between seven and 14 days.

"We continue to grow this part of the business – our issuance and sales of dual currency notes grew exponentially in 2022," said Ricardo Guido, head of derivatives at Monex.

"Year to date, we have almost tripled sales in all products. The market is generally holding up well in terms of demand."

The revival of Monex's TIIE-linked notes has also increased the pool of clients distributing the notes as well as its market share which now amounts to 75% of the overall market activity.

"We have gone from having practically one counterparty distributing our TIIE Notes to having more than five and growing," said Guido. "We have reactivated flows and are getting requests from all sides of the market. We even have clients approaching us to package digital options for them."

MSCI deploys real time macro data in new 'allocator' play

Alternative data specialist QuantCube Technology has partnered with MSCI to integrate its real time macro-economic data into the new MSCI Economic Regime Allocator Index.

The new series include US and world versions as well as optimised risk control options of five and 10% aimed at structured products.

The MSCI Economic Regime Allocator Index allocates assets into different exposures based on a pre-determined set of rules. The index works on the premise that financial markets generally go through different cycles or phases, and during these cycles, different types of assets or stocks tend to perform differently.

To match this behaviour, the index allocates assets to different market subsets based on the current economic regime. As the economy moves from one regime to another the assets in the index are rotated and reallocated with the aim of maximising investment performance.

The definition of the four different economic regimes – stagflation, heating up, slow growth and goldilocks – are based on the rate of change of GDP and CPI indicators and whether these are rising or falling.

Based on historical market data from MSCI and QuantCube, recorded over a 10-year period from October 2012 to February 2023, the new index demonstrated annualised returns of 11.04% versus a benchmark return rate of 5.83%.

The benchmark was based on allocating 60% of assets to the MSCI World index and 40% to USA treasuries. Additionally, looking at the most recent 1-year performance of the new index, it showed annualized returns of +0.8% versus a negative return of -8.59% for the benchmark.

'Though future returns can never be guaranteed, the simulations we've conducted with MSCI to demonstrate the projected annualized returns versus the benchmark shows the value to be gained by allocating assets based on the economic regime,' said Thanh-Long Huynh (pictured), CEO and co- founder, QuantCube Technology.

GeoWealth Partners plugs-in Halo

GeoWealth, a proprietary technology and asset management platform (TAMP), has announced a new partnership with Halo Investing.

Under the terms of the agreement, GeoWealth will have access to Halo's platform to offer customisable structured note portfolios as a component of a Unified Managed Account (UMA).

Matt Radgowski (pictured), chief executive officer at Halo, said that RIAs that take advantage of this partnership and incorporate structured notes into UMAs will be able to view, report and bill at the individual sleeve level, made possible by GeoWealth's proprietary sub-accounting software.

'We foresee a rising demand for structured notes and hedged equity strategies in the years ahead, and by joining forces with GeoWealth, we are equipping RIAs with tools and capabilities to stay ahead of this growing market trend by incorporating notes into models,' said Radgowski.

'We believe advisors are looking for increasingly diverse solutions to meet the goals of their clients,' said Colin Falls, president and CEO at GeoWealth.

'[We are] squarely focused on providing RIAs new tools and product choice in constructing and maintaining model portfolios on behalf of their clients.'

Canada regulator seeks margin rules for structured notes

The Canadian Investment Regulatory Organization (CIRO) is reviving a proposal by the Investment Industry Regulatory Organization of Canada (IIROC) aimed at providing clarity on margin requirements for structured products such as principal-protected notes (PPNs).

The self-regulatory organization (SRO) is seeking comment on proposed rule changes first tabled by IIROC in 2021 (Notice 21-0032) regarding proposed amendments to the Dealer Member Rules and IIROC Rules that would allow margining of structured products that meet certain eligibility requirements.

In its initial proposal, the regulator sought to introduce a fixed margin rate of 70% for structured products, or to allow firms to use an alternative methodology for products with principal protection features. Now, in response to criticism that the 70% rate was too conservative, the new SRO's proposals would allow for a 30% rate for PPNs and a 50% rate for principal-at-risk notes (PARs).

On 1 January, 2023, the board of directors of CIRO approved the adoption of the 2021 proposed amendments to the Investment Dealer and Partially Consolidated Rules (IDPC Rules).

The main purpose of the proposed amendments is to set a margin methodology for structured products which considers the different risk profiles of the two main structured product types.

However, in response to feedback on that proposal, the SRO carried out further analysis, including a review of the underlying securities typically used in PARs. The review found that the underlying securities of structured notes are typically comprised of 'highly liquid securities with low levels of volatility which allow the issuer to create structured products that offer a variety of features to limit upside and downside risks'.

'Highly-volatile and low-capitalized underlying securities are not usually considered for inclusion in structured products as the high volatility creates challenges for the issuer to create a viable structured product that can be sustained for the full term to maturity,' stated the SRO.

CIRO also noted that a 50% margin rate for PARs is 'similar to other products with limited or low liquidity such as bonds in default, preferred shares and thinly traded listed securities' and that 'the majority of PARs (approx. 91%) issued in the past five years are based on the performance of a portfolio of underlying securities that have a margin rate of 30%'.

Further, CIRO stated that margin eligibility criteria included in the proposals is 'designed to address additional liquidity and credit risk concerns'.

The SRO added that a lower margin rate for PPNs was appropriate 'to recognize the lower risk associated with PPNs due to the zero-coupon bond component that provides the principal protection'.

CIRO said the proposals will improve the consistency and transparency of margin requirements for structured products.

The revised approach aims to 'set margin requirements that consider the differences in risk between PPNs and PARs and the risk profile of the structured products compared to the underlying securities they track', CIRO said in a notice outlining the proposals.

The notice added that the 70% rate proposed in 2021 "was based on a 50% margin rate plus a 20% margin rate premium to cover increased liquidity risk."

The deadline for submissions is 18 September. CIRO intends to make the proposed amendments effective within 90 days after approval from the national regulators.

Innovator deploys first 'defined protection' ETF

Defined Outcome ETF provider Innovator Capital Management (Innovator) has expanded its product range with the launch of the Equity Defined Protection ETF (TJUL) - a first-of-its-kind ETF designed to replicate the upside return of the SPDR S&P 500 ETF Trust (SPY) with a 16.62% cap, and a 100% protection buffer against any losses incurred by the ETF over its two-year investment period.

Investors in the US have embraced structured ETFs replicating the payoff profile of structured notes - Innovator's suite defined outcome ETFs has over US$13 billion in AUM.

With this strategy, Innovator hopes to help investors shift their portfolios for downside risk, without having to sacrifice equity market exposure by moving to cash, according to Graham Day, chief investment officer at Innovator.

'We continue to hear that investors are looking for a way to get back into the market without sitting on the sidelines, but that the level of risk is simply too high,' said Day. 'Our aim is for [the new ETF] to provide a way for our clients to stay in the market with significant built-in risk management.'

Day also noted that unlike fixed indexed annuities and market-linked certificates of deposit, the new ETF is expected to provide investors 'a beneficial 1099 tax treatment'.

Innovator ETFs are distributed by Foreside Fund Services.

BMO debuts leverage/inverse ETN range

The Canadian bank is expanding its footprint in the US market.

BMO has launched MAX, a new leverage and inverse exchange traded notes (ETNs) range targeted at sophisticated investors seeking tactical leveraged exposure to stocks in specific market sectors.

The first two MAX ETNs - the MAX Airlines 3x Leveraged ETNs and MAX Airlines -3x Inverse Leveraged ETNs which are available on NYSE Arca - are linked to the performance of the Prime Airlines Index.

The Prime Airlines index which has been developed by financial research publisher Prime Indexes, tracks the performance of US-listed companies that are engaged in the broader airlines industry ecosystem.

> MAX is the leveraged and inverse leveraged ETN brand of BMO

Each index constituent must be classified as an airline, as aircraft parts and manufacturing company, or an air freight and logistics company, as determined by Prime Indexes, based on the index constituent issuer's regulatory filings, industry classification, and other related material.

The Canadian bank has also listed two new MAX ETNs linked to the performance of the Prime Auto Industry Index - the MAX Auto Industry 3x Leveraged ETNs and MAX Auto Industry -3x Inverse Leveraged ETNs which are available for trading on NYSE Arca.

The Prime Auto Industry index tracks the performance of US-listed companies that are engaged in the broader auto industry ecosystem.

Each index constituent must be classified as an automobile manufacturer, an automotive parts and retail company, a new car dealer, or a used car dealer, based on the Index constituent issuer's regulatory filings, industry classification, and other related material.

MAX is the leveraged and inverse leveraged ETN brand of BMO which falls under the responsibility of Laurence Kaplan (pictured), managing director, BMO Capital Markets.

Cboe, S&PDJI partner to launch new credit VIX

Cboe Global Markets and S&P Dow Jones Indices (S&P DJI) have announced the launch of four new credit volatility indices (Credit VIX) to provide a VIX Index-like measure for credit market volatility.

This new series of indices, jointly developed by Cboe Labs, Cboe's product innovation hub, and S&P DJI, are based on Cboe's proprietary VIX Index methodology and S&P DJI's CDX and iTraxx Indices and aim to track the expected level of volatility across the North American and European credit markets.

The new indices include the CDX/Cboe NA High Yield 1-Month Volatility Index (ticker symbol: VIXHY); CDX/Cboe NA Investment Grade 1-Month Volatility Index (VIXIG); iTraxx/Cboe Europe Main 1-Month Volatility Index (VIXIE); and iTraxx/Cboe Europe Crossover 1-Month Volatility Index (VIXXO).

'Interest in this asset class continues to grow amidst a rising rate environment, and we expect these indices will help investors better track credit market volatility, manage corporate credit risk, or implement yield-enhancement and hedging strategies,' said Rob Hocking, senior vice president and head of product innovation at Cboe.

'The Credit VIX Indices are expected to provide new clear signals on bond market sentiment, and act as a new barometer of corporate credit risk in North America and Europe,' said Frans Scheepers, head of fixed income, currency and commodity products at S&P Dow Jones Indices. Cboe's planned launch of the new Credit VIX Indices adds to its suite of option-implied volatility indices.

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

NEWS | APAC

FSS: HSCEI-linked ELS approaching loss territory

The volatility of HSCEI has been increasing due to 'the slowdown in the Chinese real estate market and deepening uncertainty in the Chinese economy'.

The balance of structured products reaching their knock-in level in South Korea reached KRW7 trillion (US$5.3 billion) in the first half of the year – all of which came from equity-linked securities (ELS) mostly tied to the Hang Seng China Enterprises Index (HSCEI), according to the Financial Supervisory Service (FSS).

According to the FSS report, more than 85% of the balance, around KRW6 trillion, will be matured in the first half of next year, as the performance of HSCEI continues to weaken, the Korean financial watchdog warned.

The regulator said the risk of investor loss may increase due to the fluctuations of the HSCEI and said it will continue to monitor the risk from HSCEI-tied structured products.

In the report, the regulator noted that the volatility of HSCEI, which comprises the largest and most liquid 50 Chinese securities listed in Hong Kong SAR, has spiked due to 'the slowdown in the Chinese real estate market and deepening uncertainty in the Chinese economy'.

As of 30 June, the HSCEI stood at 6,424.88 points, down 6% year-to-date.

Meanwhile, the FSS also stressed the increasing need to manage foreign currency liquidity rather than ELS' margin calls for securities companies, driven by the growing scale of their own ELS self-hedging, and recent uncertainty in domestic and foreign financial markets.

Market rally becomes a booster

For investors, investment returns from ELS and derivative-linked securities (DLS) increased to 6.4% and 2.9% pa, respectively, during H1 2023 (H1 2022: 3.5% and 2.2%, respectively), according to the report.

The rising figures were driven by the 'increased volatility of underlying assets such as stock indexes' that pushed coupon rates for DLS higher, the FSS stated.

Compared to H1 2022, when the market struggled because of Russia's war in Ukraine and interest rate hikes, the surprising rally seen in the global stock market this year encouraged the early repayment, the regulator stated.

In fact, the repayment amount has exceeded the issuance amount. During H1 2023, there was KRW31.2 trillion worth of DLS issued, while the redemption amount collected KRW35.5 trillion, according to the report.

In the first six months of the year, ELS and DLS issuance reached KRW66 trillion and KRW30.3 trillion. The combined amount was down from the KRW102.2 trillion in H2 2022 but up from H1 2022, which saw KRW95 trillion.

Additionally, the financial watchdog noted that issuance of principal-payment ELS tumbled by 75% compared to H2 2022, recording KRW5.9 trillion in H1 2023. The FSS attributed the drop to the concentrated demand for retirement pension inclusion at the end of 2022, while H1 2022 saw a similar level, reaching KRW5.5 trillion.

According to the report, issuance of knock-in ELS was KRW6.9 trillion, down from KRW8 trillion in H1 2022.

> "Increased volatility of underlying assets such as equity indexes have pushed coupon rates

StanChart adds automated module for structured notes in HK

The UK bank is seeking to transact 90% of its trading volume through the digital platform following the launch.

Standard Chartered Bank (SCB) has unveiled a new module enabling end-to-end automation for its structured notes offering targeting Hong Kong SAR's professional investors as the bank expands its franchise in this client segment.

The new features were added to help relationship managers focus on wealth planning and reduce their administrative workload, an SCB spokesperson said, adding: "They are now able to deliver quality advice and product ideations quicker and consistently to clients."

The module also allows real-time pre-trade credit checks and straight-through processing steps across operations, risk and regulatory reporting platform.

Launched in January, the bank's electronic structured product platform consists of fully automated pricing and the making of indicative trade documentation instead of relying on issuers' generation, the spokesperson told SRP.

Alson Ho (pictured), head of wealth management for Hong Kong at SCB, highlighted that since the launch, the bank has seen a 400% year-on-year (YoY) increase in the number of tranches traded and a 600% YoY rise in profit and loss during the first quarter of 2023.

Launched as an open architecture of structured product electronic platform for equity-linked investments (ELI) in 2018, SCB's digital platform has gained traction with transactions up 70% year-on-year (YoY) during its first year and two times increase the following year, according to Ho.

"An entire equity structured product transaction can now be completed under 10 minutes," he said. "The platform has enabled us to remove some operational bottleneck due to heavy manual processes, which in return saves time for clients and provides them with a better experience."

SCB's latest development in Hong Kong SAR came after last year's performance which saw the bank becoming the first distributor bank to bring US equity ELI into the city offering the open architecture pricing and order placement platform.

Recovery signs

According to Ho, the platform's new development also coincided with the broader market recovery signs in the last 18 months which resulted in a "better equity market performance for the first half of this year" with a 160% YoY increase in ELI volume between H2 2022 to H1 2023, according to Ho. The bank also saw a 2.4 times YoY increase in the number of tranches launched in H1 2023 for the "related payoff", he added.

Speaking of the recent market environment, Ho noted more clients are willing to diversify their exposure across different markets such as Hong Kong and the US.

"Clients are benefiting from high and competitive deposit interest rates and are seeking more yield enhancement solutions," he said.

"In addition, given market uncertainties, clients are also looking for investment solutions that provide a minimum redemption of their investment amount," he continued. "We see this trend continuing for as long as the interest rate environment [continues] to remain high."

SCB has been navigating its slow recovery, including its wealth management business segment, as the Asia-Pacific-focused bank saw its rebound in some key markets such as Hong Kong and China this year.

Yet, in Hong Kong, data from the Securities and Futures Commission (SFC) showed that ELI's net notional outstanding increased to HK$15.8 billion (US$2 billion) by the end of this July, up from HK$13.7 billion by the end of July 2022.

Looking ahead, the UK bank wants over 90% of its trading volume done through the digital platform as it continues digitising its product offering and platform, including structured product business, which "is part of the strategy over the next six to 18 months".

"Structured products are becoming more important as an alternative investment choice for clients besides cash equities transactions," said Ho.

The bank is also looking to "work towards mobile capability' and improve "the capability in the post-trade lifecycle management and notifications in a timely fashion" as its next scope for growth, concluded the SCB spokesperson.

SG lists Asia's first structured certificate in Singapore

Société Générale (SG) has partnered with the Singapore Exchange (SGX) to launch the first-ever autocallable structured certificates in Asia.

The first batch to be available for trading will be autocallable structured certificates linked to the Hong Kong shares of Alibaba with a one-year maturity. United Overseas Bank (UOB) and its sister company UOB Kay Hian, a brokerage firm also headquartered in Singapore, will be the primary distributors of the new certificates.

The new capital-at-risk products offer investors a predefined enhanced yield as long as certain conditions are fulfilled, according to SG. If the underlying stock rises above a certain upper threshold, the autocallable certificates will trigger an early redemption feature, but if it falls below a certain lower threshold, investors will receive physical delivery of the underlying shares at expiry.

'Investors' appetite for listed structured products has grown and there is strong demand for more options that offer both risk management and enhanced returns,' said Michael Syn, senior managing director and head of equities at SGX.

'As our customers become increasingly sophisticated, structured certificates will bring a new dimension to our diverse suite of products and enable investors to capture more opportunities in today's dynamic markets,' said Syn.

The specified investment product (SIP), as classified by SGX, will be launched in regular series and open to eligible investors for subscription via distributors.

The range will be expanded with other yield enhancement certificates - discount certificates and barrier discount certificates - as well as participation certificates - outperformance certificates, barrier outperformance certificates and digital participation certificates, according to SGX.

The new products are the French bank's response to investor demand for diversification and market access, as well as 'more transparency and liquidity' to support customers' investment strategies amidst Changing market conditions, said Olivia Chen (pictured), head of distribution sales in Southeast Asia and Australia at SG.

In Singapore, the existing listed structured products comprise structured warrants and daily leverage certificates (DLCs) – SG and Macquarie Bank are the issuers of the former while the French bank is the sole issuer of the latter. SG is also an active player in the derivative warrants (DWs) and callable bull/bear certificates (CBBCs) space in Hong Kong SAR.

Chen noted that structured certificates differ from the instruments above as they consist of mainly investment products with no leverage.

"Autocallable certificates are designed for investors who believe that the performance of the underlying asset will be range bound over the term of the product and are seeking an enhanced yield on their investments subject to the fulfilment of certain conditions, with the possibility of early expiry of the product," she added.

The project started before 2020, according to Chen. "The autocallable structured certificates listed on SGX are inspired from the commonly traded structured products in Europe, although using single stocks as underlying assets while European clients invest also on structured products on indices and with longer tenors," she said.

"This activity in Europe has reached a mature and industrialised stage with a very diverse product offering and we hope to build a similar offer in Asia to have our Asian clients fully benefit from our strong capabilities and long experience gathered in Europe."

Specifically, the autocallable structured certificates are a subset of 'express certificates', which're listed predominantly in Germany, said Chen.

There's little discussion about the launch of structured certificates in Hong Kong SAR, a main competing listing venue for Singapore, a trader of DWs and CBBCs at an investment bank told SRP.

"Asian retail investors love leveraged products. Inline warrants and equity-linked investments (ELIs) have failed to gain traction in the listed segment," said the source, adding that DLC, which offers a leverage of 2x to 7x on SGX, has the potential to become a new product, but the introduction has been partly hindered by its similarity with the existing leveraged exchange-traded funds (ETFs) in Hong Kong SAR.

Year-to-date, Germany has seen the listing of 5,503 express certificates in Frankfurt or Stuttgart, 112 of which are marketed by SG. The top three issuers are Landesbank BW (1,865 products), DekaBank (1,071) and DZ Bank (737), according to SRP data.

Meanwhile, SG has been the largest issuer of open-end turbo certificates listed in Frankfurt and Stuttgart on back of 321,199 issuance year-to-date, followed by J.P. Morgan (315,405) and BNP Paribas (277,509).

EAM Hywin launches megatrends suite on Leonteq indices

The structured notes offer exposure to five megatrends through Leonteq's indices and one ETF as Hywin International continues its thematic push.

Introduced on 4 August, the 'global mega-trends' series offers 100% capital protection with upside participation. Targeting high-net-worth individuals (HNWIs) in Asia, they are available for clients at Hywin International as well as Arta TechFin, a fintech platform that acts as the third-party distributor.

This latest development is 'a continuation of [Hywin, Leonteq and Arta's] product issuance program launched in April 2023', according to the Hong Kong external asset manager (EAM) owned by China's Hywin Wealth Management listed on Nasdaq.

Leonteq Securities is the issuer of the structured notes, which require a minimum ticket of US$50,000. The products cover the themes of 'electric champions', 'AI architects', 'peace engineers', 'American titans' and 'Nikkei renaissance'.

"All the themes are outcomes of careful assessment of long-term trends and calibration of product parameters. We expect them to be evergreen thematics, with continuous and tranche-based inflows, along with the global healthcare principal-protected-note launched in April," Nick Xiao (pictured), CEO of Hywin International, told SRP.

The EAM has also introduced the Hywin Global Mega-Trends Fund SP, a Cayman fund that invests in the structured notes with a minimum ticket size of US$200,000.

Electric vehicle (EV) markets are seeing exponential growth globally, exceeding over 10 million sales in 2022, according to Hywin, citing data from the International Energy Agency.

For the 'electric champion', the structured note is linked to the Leonteq Electric Vehicles 11%Risk Control (RC) Index, which aims to give exposure to the companies involved in the production of EV, including all elements of the supply chain. It derives from the Morningstar Developed Markets Electric and Autonomous Vehicles 30 Index. The top index constituents were Euro (46.9%), Renesas Electronics (3.8%), Tesla (2.8%) as of 4 August, according to Leonteq.

The 'AI architects' tracks the performance of the Leonteq Metaverse Equity 15%RC Index, designed to cover the stocks of companies predicted to play a leading role in the expansion of the Metaverse.

'In the AI revolution, leading chip makers and the global semiconductor value chain will continue to reap tremendous commercial gains, while more companies will also benefit from the innovations and cost efficiencies made possible by AI,' stated Hywin.

The US dollar (25.2%), Nvidia (9.1%) and Amazon (7.8%) were the top index constituents as of 4 August.

The 'peace engineers' is designed to cash in on rising order flows of defence contractors in US and Europe in the coming years.

'The global race in defence budgets and procurements is intensifying, dwarfing the decades since end of the Cold War,' stated Hywin.

The product is tied to the Leonteq Defense & Security 12%RC Index, which invests in a basket of 20 stocks selected from either the defence or cyber security sectors. Annualised volatility is capped at 12% and there's synthetic dividend at one percent, according to Leonteq.

The top constituents of this decrement index were the US dollar (9.7%), CrowdStrike (6.1%) and BAE Systems (5.6%) as of 4 August.

In the meantime, the 'American titans' are the reference assets of the Leonteq US Quality 10%RC Index. The US listed securities are selected based on their high-quality metrics. Each quarter, all the stocks in the starting universe (500 of the largest US listed stocks) are given a score according to their profitability and asset growth.

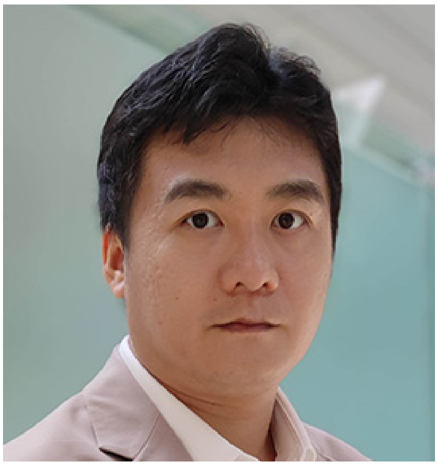
'The U.S. corporate sector has maintained resilient growth in recent years and navigated the impact of inflation and monetary tightening quite well,' stated Hywin. 'Large-cap companies have performed with particular strength in earnings and share prices, supported by their innovative leadership, global customer base and pricing power.'

SRP has 86 structured products tracking a group of 19 indices developed by Leonteq across Sweden (64), Italy (17), the Czech Republic (two), Finland (two) and Switzerland (one). The activities are driven by the Leonteq Mixed Allocation Funds 7% RC Index and the Leonteq European High Yield Bonds 4% RC Index.

The last product is linked to the Nomura Nikkei 225 ETF as corporate governance reforms, low interest rates, return of inflation, and accelerating global supply chain relocation are powering the growth of the Japanese corporate sector, according to Hywin.

SRP Apac Awards 2023: Murex capitalises on regulatory changes

The French company won the Best Pricing and Risk Analytics accolade at the SRP Apac Awards 2023 for its ability to capture opportunities arising from regulatory shifts in multiple markets.



> "Typically, the structured deposits are principal-protected and bullet style with variable coupon rates based on the underlying performance
>
> **Fanchao Zeng**

In the structured product space, China has experienced a reform since the release of several regulations on standardising structured deposits and wealth management products in 2019.

"With the increasing demand and popularity of structured deposits in the Chinese market in recent years, local regulators have required banks to establish a proper risk management system," Fanchao Zeng (pictured), product manager, structuring and analytics, Apac, told SRP. "The legacy systems at some banks failed to price or handle complex structures. That's how Murex began to play a role by offering both pricing and risk warehousing."

He cited China Minsheng Bank (Minsheng), a client of Murex for more than a decade, which owned CNY7.6 trillion (US$1.1 billion) assets as at the end of March.

Last October, the Beijing-headquartered bank went live with the structured trade builder supported by MX.3 for its derivatives and structured deposits following a nine-month preparation. The structuring tool allows Minsheng to create linear combinations of payoffs and package them in a few clicks.

At Murex, the MX.3 platform is designed to integrate cross-asset trading, risk and post-trade operations. In China, it enables the banks to comply with both domestic and international requirements like the fundamental review of the trading book (FRTB) and the standard initial margin model (SIMM) based on a best-practice framework set up by Murex, according to Zeng.

"Typically, the structured deposits are principal-protected and bullet style with variable coupon rates based on the underlying performance," he said.

Among a total of 25 payoffs, the top picks are call or put spread, staircase, shark fin, range accruals and autocall across foreign exchange (FX), precious metal, commodity, rate and equity.

The project has helped Minsheng streamline trading operations and consolidate market risk control, according to Li Jingwei, senior manager, market risk at the bank.

In Asia Pacific (Apac), approximately 70 financial institutions — mainly banks and securities houses — use Murex's front-to-risk solutions across Japan, China, Taiwan, India, Australia, Hong Kong SAR, Singapore, South Korea, Malaysia, Thailand as well as Brunei and Indonesia.

The client group covers nearly 400 desks by asset class, which comprise FX option, interest rate, FX cash, fixed income, securities finance, equity, commodity and credit derivative.

For the structured products priced on MX.3, the activities are driven by non-linear risk-free-rate (RFR) structures, China's structured deposits, equity autocall and FX exotics, which are supported by 30 cross-asset structured product specialists and six quant analysts at Murex in Asia.

"Across Asia, clients with large derivatives portfolios use MX.3 LiveBook to get full intraday visibility on their risk and hedging," said Alexandre Bon, head of marketing, presales & go-to-market, Apac.

The module aims to provide traders instantaneous access to personalised monitoring dashboards of their positions, including sensitivities and user-defined risk measures with live position and market data updates.

From Libor to RFRs

Bon noted that the Libor discontinuation is also driving banks' infrastructure investments in Asia as new products need to be packaged using RFRs, bringing new complexities.

"In Asia, some of our Japanese customers were the first to invest in developing non-linear and exotic structures using daily compounded secured overnight interest rate (Sofr) and Tokyo overnight average rate (Tona)," said Bon.

The adoption was shortly followed by Australia and Singapore before spanning the entire Apac region.

"The market for RFR-based structures is still growing and will remain an important driver for our risk and analytics solutions for at least another two years in the region," he said.

Exotics in Japan

In Japan, FX-linked barrier products with a tenor of over 10 years are well received and deliver significant volume.

"The inconsistency between the market quote FX forward and historically-realised spot rate gives rise to the long-dated FX structures," Zeng said. "It requires a market standard model which can match the market price of the exotics while at the same time perfectly matches the FX vanilla market quotes for up to 10 years."

Moreover, the system must provide real-time portfolio management capabilities to support risk scenarios like spot ladder and smile analysis for large FX structure books in a timely manager.

In response, a new stochastic local volatility (SLV) model – TStar – was developed by Murex's quant analysts based on its proprietary Tremor SLV model, which demonstrates "a more stable bucketed volatility risk [vega, vanna and volga] and more consistency with smile analysis", according to Zeng.

The LiveBook module has also been applied by some derivative desks in Japan to access risk results of large FX structures book and monitor real-time position and market data update.

The SLV model will continue to be improved with a focus on the performance of model calibration through a hybrid graphics processing units (GPU) and central processing units (CPU) architecture.

UMR

According to Bon, Basel III's initial margin requirement (UMR) framework, which aims to reduce the risk of derivatives exposures, also impacts the Apac market.

"For long, many small-to-medium-sized banks had been offering structured products to their clients on a 'back-to-back' basis across Apac," said Bon.

Specifically, the banks choose to issue a structured note and fully hedge the exotic payoff by buying the mirroring derivatives structure from a global bank.

"This let [the banks] scoop a margin and leave their portfolio flat from a market risk perspective and they don't need have the valuation capabilities from a narrow sales, trading and market risk management perspective," he said.

However, the risk remains with both the bank and its counterparty and their exposures are determined by the value of each leg of the mirroring positions.

Collateral management is one way to mitigate this risk, but the regular exchange of collateral requires that parties value the underlying positions, according to Bon.

"The small banks which did not have the valuations capabilities implemented our solutions with the SIMM and FRTB use cases in minds," he said.

For larger players, all these new regulations represent additional friction costs for their structured products businesses, which has motivated them to move away from the plain back-to-back model.

"All these developments prompted a number of banks in the region to work with Murex to invest in risk and pricing capabilities for structured products," said Bon.

> For long, many small-to-medium-sized banks had been offering structured products to their clients on a 'back-to-back' basis across Apac
>
> **Alexandre Bon**

Feature: crypto structured products fuel market in post-2022 tumble

From new product launches to risk management, industry players share their latest observations on structured products in the digital asset space in 2023.

A new era for cryptocurrency structured investment products is filled with innovation and challenges – in Asia in particular - as the industry slowly emerges from last year's turbulence.

In Hong Kong SAR, Bank of China International and UBS partnered to be the first to issue tokenised notes in the jurisdiction in June. Last month, Swiss crypto-focused SEBA Bank's subsidiary, SEBA Bank Hong Kong Limited, received approval in principle from the Securities and Futures Commission (SFC) to become the first group of licensed corporations to conduct investment services with crypto capabilities in that market, including plans to build and expand its product suite once licensed.

Ludovic Shum, managing director at SEBA HK, told SRP that with initial assessing and focus on the existing products issued by its Swiss head office, the firm's product suite will consist of traditional investments such as "equities, fixed income and the cash and money-market instruments as well as over-the-counter [OTC] derivatives and structured products with crypto underlyings". The firm hopes to secure an official licence in Hong Kong by the end of the year.

"We'd love to see the regulators in Hong Kong open up to the idea of crypto banking to allow on/off ramping, crypto collateralised lending and finances from banks in Hong Kong to continue to supplement the whole crypto/financial ecosystem in Hong Kong," he said.

Crytpo wealth manager has also seen growing demand for adoption and acceptance of crypto derivatives products by institutions, with regular inquiries from family offices, trading institutions, and private equity into its hedging services, said CEO **Adrian Wang**.

In April, Metalpha launched a licensed fund in Hong Kong SAR that gives investors exposure to Grayscale's digital asset products.

"Ever since the declaration of building a Web3 hub last year, the Hong Kong government has moved swiftly to promote blockchain technology in the city as well as modernise its licensing regime for the digital assets industry," said Wang. "All this is very conducive to institutional investors to build a business here in Hong Kong with confidence and certainly beneficial for our crypto-structured business here."

Crumbling out of the 2022 tumble

Following last year's rollercoaster-like cryptocurrency market, one major shift in thought among market participants is risk management – from market risk and liquidity risk to counterparty credit risk and legal risk, according to **Caroline Mauron**, co-founder of OrBit Markets, a Singapore-based institutional liquidity provider of crypto options and structured derivatives.

She told SRP that crypto investors have adopted more realistic return targets after the collapse of Terra-Luna last year.

"Investors no longer aim at 100x or 10x, instead they turn to more traditional

> "Investors no longer aim at 100x or 10x, instead they turn to more traditional sources of yields such as structured derivatives
>
> **Caroline Mauron, OrBit Markets**

sources of yields such as structured derivatives," she said. "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."

Meanwhile, many investors, especially in Asia, started the year on the front foot, taking advantage of bespoke structured payoffs to build positions.

Mauron, who served as former co-head of FX for Apac at Deutsche Bank, highlighted that accumulators have gained traction among crypto asset managers this year as "an attractive alternative to dollar cost averaging [DCA] strategies, in particular in alternative tokens" 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," she said. "The product fits well with the asset managers' long-only mandate while offering significant savings versus basic strategies."

Opportunities and challenges are side by side

Still, innovation in the crypto structured products space is still traceable among native players. Crypto exchange OKX rolled out snowball and sharkfin products this year, while Ribbon Finance, the decentralised derivatives platform built on Ethereum which has rebranded to Aeve, executed the first Ether autocall.

"Moving in the right direction" is how **Lucas Kiely**, chief investment officer at digital wealth platform Yield App, would describe the crypto structured products industry in 2023.

Earlier this year, the firm acquired structured product provider TroFi Group in response to growing demand for enhanced yield investment opportunities. The firm currently offers dual currency product.

Kiely, who came from a trading background at Credit Suisse and UBS, has been thinking about how to best use crypto structured products to help investors preserve wealth in a risk-adjusted manner. The ongoing challenge remains at the pricing aspect, including the principal protection issue.

"In the crypto industry, [let's say] my US dollars become stablecoin. That stablecoin is guaranteed by a corporate; they are not paying your corporate yield on it," he explained. "So I[the corporate] would have to get some kind of yield...but there's no credit market in crypto.

"There's a lot of caution based on the counterparty risk," Kiely added.

OrBit Markets' Mauron said although the crypto structured products market is currently in its early stages of development, the potential for crypto-linked securitised products is significant.

"Streamlining the process requires collaborative contributions from issuers, hedge providers, paying agents, custodians, as well as banks," she said. "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."

Structured products remain most prevalent product in HK SAR

A survey jointly conducted by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) shows that money market funds were the top-selling collective investment schemes (CIS) in 2022. However, according to the survey, structured products remained the most prevalent type of products sold by the respondent firms during 2022, constituting 51% (US$1.9 billion) of the total transaction amount. CIS and debt securities followed, accounting for 23% (US$884 million) and 17% (US$648 million), respectively.

Equity-linked structured products remained predominant, representing 53% of all the structured products sold in 2022 – according to the survey, some investors shifted to other product types such as currency-linked products owing to weak sentiment in stock markets in 2022. On debt securities, some investors shifted their interest to sovereign bonds, such as HKSAR Government Bonds including green bonds and silver bonds, which were perceived to be of lower risks with more stable returns.

The number of firms distributing investment products online increased to 83 in 2022, up 19% from 2021. CIS remained the most common product type distributed through online platforms, which represented 83% of total online sales.

Of all CIS investors, the proportion of investors transacting online also increased from 65% in 2021 to 72% in 2022. Notably, online sales of debt securities increased significantly to 15% of the total online sales in 2022 from 6% in 2021. The survey was designed to collect information about the types and value of investment products sold.

'The information collected helps the SFC and HKMA better understand market trends, identify risks associated with the selling activities of intermediaries and coordinate their responses to address areas of common concern,' said the HKMA in a statement.

SRP Americas Annuities PoY 2023: Marie-Laure Chandumont

The head of insurance, cross-asset derivatives solutions at Barclays is the recipient of this year's SRP Americas Personality of the Year (PoY) Annuities award, after securing the most votes from market participants in the SRP Americas 2023 survey.

After 25 years of working in the industry, Marie-Laure Chandumont (pictured) described planning for retirement for many as an often "boring and daunting decision" with very few sitting down with their partners to devise a plan for their years 60 to 100.

"It's like marriage: you date a few people, and then boom, you commit to someone for maybe 70 years – the most important decision of your life has so many consequences on your health, wealth, happiness - everything," she told SRP.

But that's also what's been motivating her throughout her career: creating strategies to simplify these planning processes.

"The idea that people can give a portion of their savings to an institution, and the institution will give you a paycheck for life – think of it as your base expenses, your necessities, manage the risk and give you a portion of equity market gains, that obviously takes a lot of the stress away," she said.

Chandumont, head of insurance, cross-asset derivatives solutions at Barclays, started her career at Société Générale as an investment bank analyst for six years and moved to her later role as vice president, equity derivatives before joining the UK bank in 2010.

She has been responsible for covering insurance companies in North America with the cross-asset derivatives team of Barclays since, including working with institutions to manage their risks, providing industry content and insights to clients, and delivering performance to policyholders through its indices.

Industry partnerships

Following the post-2008 financial crisis where many insurance companies suffered from market turmoil, Chandumont saw the opportunities to partner with these manufacturing companies and help them design the product instead of coming on the back end and just hedging the liabilities.

"With volatility-controlled indices, the bank can better manage the cost of goods sold," she said.

Last year, the UK bank rolled out the Avantis Barclays Volatility Control (VC) Index in collaboration with Avantis Investors specifically for the fixed indexed annuity (FIA) market.

"When you buy a FIA, you outsource derivatives management to the insurance company and they give you a check for life, I think that is a great value proposition," she said.

"As long as they're positioned properly, I think FIAs are as great instrument for people preparing for retirement."

Chandumont's remarks coincided with broader industry trends as registered index-linked annuity (Rila) and FIA set new sales records in the second quarter of this year, as Limra's US Individual Annuity Sales Survey showed.

Indices offering

Chandumont highlighted that as of 23 September, the Shiller Barclays Cape (no vol control) had gained 16% year-to-date, driven by the sectors selected by the index, while the rally of the US tech stock market has pushed the Barclays US Tech 12% index higher, up 14.8% in 2023 so far.

She cited that Barclays hedged US$15 billion of its proprietary indices in 2022, as per schedule DB statutory filings.

Speaking of the growing indexed annuities linked to multi-asset quantitative investment strategies (QIS), she noted the ultimate goal for QIS is to increase risk-adjusted returns.

"The S&P and Nasdaq have the strongest rallies, but the participation rates for these indices are very low and extremely volatile," she said. "Maybe this year you will have 40% participation rates and next year 20%. With volatility-controlled indices, the goal is to have higher risk-adjusted returns and stable renewals."

Looking forward, she sees the index annuity market will see more higher volatility target indices as the interest rates have risen. Meanwhile, some existing themes will persist such as intraday volatility and artificial intelligence.

SRP Americas 2023: brighter days for the insurance industry

A group of five panellists discussed innovation and customisation in the RILA and FIA markets during the SRP Americas 2023 Conference, held in Chicago on 27 September.

At Lincoln Financial Group, customised indices, which are its differentiator in the registered index-linked annuity (RILA) market, have worked out really well, according to Del Campbell (pictured), vice president, head of variable annuity product development.

"We leverage a couple of custom indices… [that] already existed in the retail world," said Campbell. "That made me feel good about having something in there that wasn't built for an insurance company."

Among their offerings, the First Trust American Leadership Index has been made available with the Lincoln Level Advantage indexed variable annuity. The underlier is owned by FT Indexing Solutions.

In view of its early development in the RILA market, Campbell highlighted the importance of third-party distribution for the products.

"Having a lot of distribution helps go out to people that we didn't know," he said.

Excess returns, which are prevalent in the fixed index annuity (FIA) space, are critical to the pricing, but also created a lot of conversations with clients as interest rates have risen.

The discussion about excess return is also seen at BlackRock where the indexed annuities team has received many questions from clients this year.

"Interest rates had always been zero. Excess return just means all the benefits but without any costs. Certainly this year, that's not the case," said Igor Zamkovsky, head of indexed annuities, retirement insurance at BlackRock.

Zamkovsky's team spent a lot of time on both index and annuity education with a focus on how the product sits alongside everything else in the portfolio with a holistic approach. Within the industry, the knowledge about excess return involving fees and trading costs is lacking, added Zamkovsky.

A growing number of FIA players are entering the RILA space, leading to wider distribution by veterans.

"Innovation is really hard," he said. "Just because you could do it doesn't mean that you should do it. So much of the value of the RILA is the simplicity – in the buffer and the floor."

Mike Heraty, head of US solutions and structured products, at RBC Capital Markets, sees plenty of innovation in the market. "I think it's bright days for the insurance industry infrastructure products industry in general," he said.

"We think that we always have to challenge ourselves, not to overly engineer things, but to really take what the market is giving us – whether it be intraday, new payoffs, data. [We need to] incorporate that into something that makes sense for the consumer," Heraty added.

In the last three years, the economic conditions have shifted drastically from the period post-2018 financial crisis, according to Stéphane Mattatia, managing director, global head of derivatives licensing and thematic indexes, at MSCI.

"Now everyone is convinced that we will have to tackle with high interest rates global lead for rotation business cycle," he said.

Technology like natural language processing has brought tremendous new data, which investors want to understand its impact to their own portfolios.

In addition, US retail investors have shown higher interest in adopting new index mechanisms such as risk control, which is considered "very complex" in Europe, particularly France.

Kelsey Stokes, sales head, insurance at S&P Dow Jones Indices, stressed the greater precision of data, which brings greater ability for the use within indices.

"From that perspective, more traditional index provider realise that some really excellent ideas have come from the banking space," she said.

With that evolution in technology and data, the data is observed beyond an intraday basis, she added.

"Brand transparency and governance processes are critically important, as well as the actual nuts and bolts of the index," Stoke said.

SRP Americas 2023: room for diversification in Canada

The market remains in good health with further room for underlying diversification.

Canada's structured products market will continue growing as the increase in interest rates will favour products with capital protection. This will address the investment needs of investors with a traditional risk-averse profile, according to two Canadian bankers at the SRP Americas 2023 Conference held in Chicago on 27 September.

Despite the dominance of Solactive's indices in the Canadian market, Desjardins remains focused on its preference for structured notes tracking share baskets, which are considered simple and secure, according to Benoit Bélanger, director, equity derivatives & structured products at Desjardins.

"The [Solactive indices-linked products] are pricing well and create a concentration on some specific assets. I think there's room for diversification for more and more global exposure," he said.

SRP data shows that Solactive's indices account for four out of the 10 most used underlying assets by issuance – including the top pick - for structured products issued from 2022, which comprise structured notes and market-linked guaranteed investment certificates (GICs).

These include the Solactive Canada Bank 40 AR Index (2,632 products), Solactive Canada Pipelines AR Index (467), Solactive Canada Insurance AR Index (425) and Solactive Equal Weight Canada Banks 5% AR Index (299).

"From an exposure standpoint, there's definitely a huge home bias. Who doesn't love a Canadian bank?" said Jerome Cloutier (pictured), managing director & co-head global sales, global markets at BMO. "It would be great if we could actually go and offer a lot more US and global products."

Outside the US, Canadian banks are not exactly global banks, which makes trading and risk management "a little bit more challenging", according to Cloutier. He also noted that a lot of banks across the globe started factored in dividend risk well before in 2020 when the presence of decrement indices took off in the country.

"BMO went in hard on the decrement indices [after CIBC]. Pretty much every other issuer followed," said Cloutier.

From a product type perspective, there has been a shift towards fully protected structures as suggested by the asset under management (AuM) of market-linked GICs which is at a comparable scale to that of structured notes, making the former worth being talked about, according to Bélanger.

"[Market-linked GICs] were really easy to sell in the past couple of years when rates on fixed term GICs were lower," he said.

With the rate hikes, market-linked GICs can offer significantly higher guaranteed returns despite a tough distribution channel at Desjardins.

"There's an opportunity there because most of the market-linked GICs that were sold have matured and are unavailable through structured notes," said Bélanger.

He also pointed at a higher concentration of autocallable products in Canada compared to the US, which leads to longer tenor of between five to seven years.

"For more standard products, the averaged tenor is just three to five years. With the interest rates increasing, [investment terms] are getting shorter," he added.

In Canada, the greatest opportunity lies in the growth of the at-risk platform through aucallable notes and discretionary portfolios, which is a heavyweight for the advisor's business, according to Cloutier.

"The way you are running a discretionary portfolio, you have to have your model portfolio vetted by the dealer," he said. "The challenge and the opportunities for our industry is to get in there and to be able to prove that a structured note is a viable option for mitigating volatility and increasing the yield of the portfolio."

One week ago, BMO revealed its partnership with Halo Investing with an aim to help Canadian financial advisors manage risk across wealth and retirement planning through direct access to Halo's secure technology platform.

"We needed a dedicated platform to managing the lifecycle and the portfolio [of structured products], other than having a like a 100% unitised solution," said Cloutier, adding that financial advisors in Canada have shied away from mutual funds, which are the run of the mill.

That's why they have flocked to structured notes," concluded Cloutier.

SRP Americas 2023: in pursuit of a scalable turnkey solution

Platforms offering a one-stop shop with all things structured products are helping drive up market growth and adoption, panellists said.

As digitalisation continuously grow the structured products value chain from pre-trade to execution, the industry is now eyeing how to leverage technology to streamline the process and improve user experience as the next phase for growth.

We want the money to stay sticky with structured products [...] we don't want someone to have a call notification and realise 30 days later that they've been sitting on cash - Ashley MacLean, iCapital

This is according to a group of panellists at the SRP Americas 2023 Conference, held in Chicago on 27 September.

In the US, the structured products space has been working on standardising demystification over the past few years as this "fragmented marketplace" historically tends to lack a common nomenclature and education, according to Ashley MacLean (pictured), senior vice president at iCapital's SIMON structured investment client coverage team.

"We can start focusing more on accessing lifecycle, just like the entire experience, and making it a simpler and easier to use product so that it can be more widely accessed," said MacLean, who described the growing mature market as needing a "turnkey solution from start to finish."

"I think pieces of the process have got better – from auto prices on the issuer side to cleaning up some of the order entry," she said. "But ultimately, we're trying to close the gaps in the process so that it truly is a front end and smooth experience for advisors and therefore for clients."

One-stop shop

Rashad Anderson, head of private bank relationship management and business development at Luma Financial Technologies, agreed on the idea of a one-stop shop for structured products.

"I think the focus has been on streamlining the process, moving away from spreadsheets and emails and bringing it into a more automated system," Anderson said, adding that how to manage after creating deals and following the execution is the next challenge and opportunity for growth for structured products platforms.

Not just in the US, the European market also has the same goal of bringing separate fragments into one piece, according to Géraldine Laussat, global head of structured products at OTCX, a London-based multi-dealer request for quote (RFQ) platform targeted at the buy-side.

"The European approach has been to have a top-down deployment approach to digitise [processes at] private banks and broker-dealers," Laussat said. "Streamlining the process has been in the mind of issuers to lower the operational risk."

iCapital's MacLean noted that the lifecycle tools that are being developed across the board will help the industry monitor products throughout their lifecycle.

"We want the money to stay sticky with structured products," she said. "We don't want someone to have a call notification and realise 30 days later that they've been sitting on cash."

Meanwhile, more issuers have gone to explore various new markets such as South Africa and South Korea in terms of the digitisation aspect, according to Stefan Wagner, head of business development at Vestr, a Zug-based financial technology provider that focuses on actively managed certificates (AMCs).

Catering for calendar deals

Yet as the industry moves towards customisation, the traditional calendar deals – that are primarily used in the US market as issuers launch product batches on a calendar basis – still have a place, according to MacLean.

"More and more over the years, [platforms are helping with the] introduction of structured products to new users," she said.

"Once you get somebody [feeling] comfortable and having a really good experience, they can see their portfolio, [get] their analytics, and didn't have a missed coupon – and could end up rolling this into a custom note.

"At the same time, technology can make that calendar process less clunky," she added.

Luma's Anderson highlighted that going forward there will be a healthy mix of calendar and custom deals, particularly in the US.

"Improving user experience that allows more readily accessible data about structured products will help scale the market, said Anderson.

SRP Americas 2023 Awards

The best in class in the structured product industry gathered on 27 September in Chicago for the SRP Americas Awards 2023.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All the winners

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Best House, Equities
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Morgan Stanley

Best House, Capital Protection
Desjardins

Best House, USA
J.P. Morgan

Best House, Canada
Desjardins

Best House, Mexico
BBVA

Best House, Brazil
Santander

Best House, Americas
J.P. Morgan

Distributor Awards

Best Capital Protected Distributor, Americas
Desjardins

Best Distributor, Yield Enhancement
Morgan Stanley

Best Distributor, USA
Morgan Stanley

Best Distributor, Canada
BMO

Best Distributor, Mexico
BBVA

Best Distributor, Brazil
Santander

Best Distributor, Americas
BBVA

Best Independent Broker-Dealer, USA
InspereX

Best Private Bank, Americas
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Raymond James

Best Performance, Canada
BMO

Best Performance, Mexico
BBVA

Best Performance, Brazil
Santander

Best Performance, Americas
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Service Provider Awards

Best Index Provider
S&P Dow Jones Indices

FIA / VIA Hedge Provider
Goldman Sachs

Best Proprietary Index Provider
Barclays

Best Structured Product & Derivatives Exchange
B3

Best Single-Issuer Platform
JPMorgan SI 360

Best Multi-Issuer Platform
Luma

Best Pricing and Risk Analytics Provider
Bloomberg

Best Technology Provider
Bloomberg

Best Hedge Provider
Goldman Sachs

Best Law Firm
Mayer Brown

Innovation and Education Awards

Best Educational Initiative
Market-linked guaranteed investments online experience (Desjardins)

Best Structured Product Technological Solution
Stifel

Index of the Year, Structured Products
Goldman Sachs Momentum Builder Focus ER Index

Index of the Year, Annuities
WisdomTree Siegel Strategic Value Index (Annexus)

FIA/VIA Carrier of the Year
Lincoln Financial

Deal of the Year, USA
Lookback Trigger PLUS Note (HSBC)

Deal of the Year, Canada
Responsible Option Aggressive Guaranteed Portfolio (Desjardins)

Deal of the Year, Latin America
Range Accrual USD Resurrection (Monex)

Deal of the Year, Annuities
Athene Performance Elite with Strategy Preset

Most Innovative Product
CME Term Sofr 1m Coupon Range (Monex)

Personality of the Year, Structured Products
Eduardo Martinez Campos

Personality of the Year, Annuities
Marie-Laure Chandumont

Buyside View: we expect to see more accelerated trackers, digital pay-offs

As the UK market celebrates the 20th anniversary of the first autocall payoff structure, evidence supports the value of this investment product as an addition to any investor portfolio.

> "A low interest rate environment is bound to push investors towards riskier assets

Ian Lowes (pictured), managing director at Lowes Financial Management and founder of StructuredProductReview – a specialist portal for professional advisers, noted in a research report that the autocall structure is not just "a reliable investment option regularly overlooked by financial advisers" but also "the most successful retail investments of the 21st century".

Autocalls became the go to product among investors and providers as a result of the low rates environment triggered by the 2008 global financial crisis, so we asked Lowes if the current rates increases are posing a threat to this payoff structure.

"It is accepted that in the first five years after the introduction of the autocall when interest rates were high, there weren't too many brought to market and the number issued increased substantially during the next 15 years when interest rates were low," said Lowes.

"A low interest rate environment is bound to push investors towards riskier assets and whilst higher interest rates will, conversely see some investors switch to a deposit environment one of the primary reasons for investing is to combat the effect of inflation."

According to Lowes, even the best deposit accounts rarely provide an adequate hedge against inflation but in fact lose value in real terms "on a daily basis".

"Investing is therefore still key and given a choice between an autocall that will mature with a gain of 10% for each year held, when say the FTSE 100 rises by any amount vs a straight market participation investment, the autocall still has a great deal of appeal," said Lowes.

Synthetic underlyings

The dividend crisis of two years ago prompted a resurgence of synthetic dividend underlyings among autocall structures which became the holy grail for issuers as they could manage the dividend risk better and hedge more effectively their exposures and investors as they could also access better potential returns.

"This to me was the most logical solution to the dividend problem and its introduction represented a good outcome for all," said Lowes, noting that one synthetic index "really stands out" in the UK market - the FTSE Custom 100 Synthetic 3.5% Fixed Dividend Index (FTSE CSDI).

The CSDI tracks the same 100 shares in the same proportions but unlike the FTSE 100, the CSDI includes the benefit of the

Structured products have proved to be exceptional investments for a very long time

dividends paid by the 100 companies (which have historically averaged around 3.5% per annum) and then deducts the equivalent to a fixed 3.5% per annum, on a daily basis.

According to Lowes, the result is that the index will perform almost identically to the FTSE 100 if dividends are at 3.5% pa, moderately underperform if they are less, and moderately outperform if they are more.

"The CSDI has been 99% correlated with the FTSE 100 Index," said Lowes.

"By utilising the FTSE CSDI rather than the FTSE 100 the potential returns offered are often noticeably enhanced as they benefit from the removal of the premium that would otherwise be retained by the counterparty to cover the dividend shortfall risk."

To date four counterparties including Morgan Stanley, Citi, BNP Paribas and Goldman Sachs have adopted the FTSE CSDI.

"It has proved beneficial for all parties," said Lowes.

"Utilising the FTSE CSDI does admittedly add a barrier compared to utilising the more readily accessible FTSE 100 but given that the main index can be used as a proxy for the CSDI the barriers are easily overcome and a small price worth paying for better outcomes."

Going forward

Despite the dominance of the autocall Lowes sees a significant resurgence of deposit based, and non-contingent fixed interest products.

"We expect to see more accelerated trackers and digital pay-offs," he said.

"From a stock market perspective nothing has changed in that I still know that I don't know and know that no one else knows either – which is why I continue to favour longer maximum duration autocalls that have a very high probability of coming good and outperforming the underlying in all but extreme circumstances."

As for the structured product market, Lowes has a positive outlook as structured products "have proved to be exceptional investments for a very long time".

"There is some talk that they are beginning to really take off in terms of acceptance and use in many quarters of the UK retail sector," said Lowes. "Providers will be keen to capitalise on this and will be looking to innovate where they can but for now with typical 60 or more structures of varying shapes being offered in the IFA market there are plenty of decent options available.

"Long may this continue."

Basler Kantonalbank enters BX Swiss' trading segment deriBX

From 13 October 2023 investors will be able to trade structured products from Basler Kantonalbank in the BX Swiss trading segment deriBX. With the addition of Basler Kantonalbank as a new issuer on BX Swiss, the Swiss Exchange is expanding its growing range of exchange-traded structured products.

Basler Kantonalbank offers tailor-made and innovative certificates in the categories of capital protection, yield optimisation and participation and has credit ratings of AAA from Fitch and AA+ from Standard & Poor's.

'The partnership with Basler Kantonalbank is another milestone in our efforts to provide our investors with high quality products and to continuously expand our range of exchange-traded structured products,' said David Kunz, COO of BX Swiss.

MerQube: there is room for competition around multi asset, derivatives

Indexing technology company MerQube completed in late July a Series B funding round which raised US$22m and was led by Intel Capital with participation from new investor Allianz Life Ventures, and existing investors Citi, J.P. Morgan, Laurion Capital Management and UBS.

> We think our core value proposition will resonate with global investment banks operating in Europe

SRP spoke to the firm's CEO Vinit Srisvastava and its chief commercial officer Roby Muntoni about the firm's plans following the new injection of capital and the authorisation received by the UK Financial Conduct Authority (FCA) to offer benchmark administration under the Benchmarks Regulation (UK BMR).

On one hand, according to Srivastava (pictured), MerQube will look to capitalise on the support of Intel Capital to "close the fintech gap in passive investing" as well as expand into the insurance market in the US with the strategic direction of Allianz Life Ventures.

In Europe, the plan is to expand across markets to help "unlock unmet demand for index-linked investments" - the FCA license and the recent funding round are part of the company's plan to grow on this side of the pond, said Srivastava.

"One of the good things about indexing is that from a product perspective it scales very well across markets," he said. "We think our core value proposition will resonate with global investment banks operating in Europe as it has done with domestic investment banks in the US. It's kind of the same value proposition."

The index technology company is also looking to develop new indices adapted to specific markets by leveraging the existing platform and infrastructure, according to Muntoni.

"The data has already been piped in and can be deployed to build global benchmarks and create new strategies. It's a natural evolution for the business and the funding will help to ensure that we are ready and able to enter the next stage of development," Muntoni said.

Market edge

In essence, the US firm is not looking to compete with traditional index providers as its value proposition is not purely on indexing but on technology.

"Our cloud native SaaS platform and API-first solutions were designed and built to increase speed to market agility and price efficiency to address and unlock unmet demand for index-linked investments," said Srivastava, noting that nine times out of 10, traditional index providers will win a request for proposal (RFP) regarding broad base benchmark exposure.

MerQube's US Tech+ Vol Advantage Index

Source: MerQube

However, when it comes to specific and more granular exposure, baskets, efficiencies and self-indexing MerQube "has a very competitive proposition".

"By definition, the big four index providers have already built their niche areas of dominance (MSCI-global market; S&PDJI US equities, FTSE Russell-UK market), but when it comes to the multi asset and derivative spaces Srivastava believes that "there is a lot more room for other players".

"We have seen this with other entrants to the index and structured products markets."

MerQube received FCA authorisation under Benchmarks Regulation (BMR) in May 2023 after completing its adherence to the International Organization of Securities Commissions (Iosco) principles for Financial Benchmarks in September 2022.

The firm is one of the latest entrants to the structured products market and has established one of its indices - the MerQube's US Tech+ Vol Advantage Index – as one of the highest selling thematic indices in the US market.

The index has featured across 246 products issued via J.P. Morgan in the US worth US$74m in 2022; and has also collaborated with UBS after being appointed by the Swiss bank as the calculation agent and administrator of the UBS Constant Maturity Commodity Index (CMCI) range.

Since its launch in 2019 MerQube has developed a full range of indexes including equity baskets as well as decrement, risk control and thematic indexes such as the MerQube Defined Protection Indices, MerQube Single Stock TR indices, MerQube AI for Alpha Multi Asset VT Core, MerQube Vol Edge or the MerQube Reverse Convertible Indices.

The firm has also partnered the investment banks supporting the business to develop new custom indices such as the Citi AI for Alpha Multi Asset range; the UBS CMCI Sustainability, UBS Multi Asset Inflation Aware and UBS Global Intraday Trading Indexes; the MerQube US Large-Cap Vol Advantage Index and MerQube US Tech+ Vol Advantage Index which were developed with J.P. Morgan; and the MerQube XP Multi Asset 6% VT Index which was developed with Brazil's XP Banco.

"

There is a lot more room for other players

MSCI: new rotation play – faster than the market

The index provider is seeking new sources of data to expand its index catalogue with new rotating strategies.

> As the economy moves from one regime to another the assets in the index are rotated

Following the recent launch of the MSCI Economic Regime Allocator Index in partnership with alternative data specialist QuantCube Technology, SRP spoke to Stephane Mattatia (pictured), global head of thematic indexes and derivatives licensing at MSCI, about extracting value from the different cycles or phases in the financial markets.

The new series which include a US and world versions as well as optimised risk control options of five and 10% targeted at issuers of structured products allocates assets to different market subsets based on the current economic regime. The definition of the four different economic regimes – stagflation, heating up, slow growth and goldilocks – are based on the rate of change of GDP and CPI indicators and whether these are rising or falling.

"As the economy moves from one regime to another the assets in the index are rotated and reallocated with the aim of maximising investment performance," said Mattatia.

The role of QuantCube Technology is to process a significant amount of unstructured global macro data to provide a final output around GDP growth, CPI and international trade across markets.

"This means that it is giving us a real time evaluation of the economy without having to wait for official figures," said Mattatia, "[These] insights are very valuable to measure markets using data that can't be used on its own, although its relevance is very intuitive – if the subscriptions of mobile phone operators go down, it is a bad sign for consumer spend, as this is one of the last things people would cancel or stop paying for when things go bad."

The index

According to Mattatia, the partnership with QuantCube Technology was a no brainer as "this data could be used to improve existing strategies using official GDP and CPI figures and create new sector rotation indices".

The initial step when designing the index was to look at the four stages of the business cycle - stagflation, heating up, slow growth and goldilocks.

The index then applies two levels of allocation - multi asset and equity – in relation to where we are in the business cycle.

"If we look at the historical performance of each MSCI World sector depending on the stage of the business cycle, there is a huge pronunciation of sector behaviour depending on where we are in the business cycle," said Mattatia.

"The outcome is a very robust performance that creates value over time compared to the benchmark

Then the sector exposure across cyclical and defensive sectors is directly driven by the four or five sectors that had the best behaviour at each stage.

"The outcome is a very robust performance that creates value over time compared to the benchmark which has a very classic institutional allocation - 60% on the MSCI World and 40% treasuries," said Mattatia.

This approach, he said, can be used to create other variations – "we tested a long only pure equity allocation with no Treasuries that also outperformed the benchmark, and we are having discussions already with clients about long/short and risk control versions".

New datasets

The advantage of the data supplied by QuantCube Technology is that it always shows a trend and eliminates the dependence on official economic data, which lags versus the market because the market assesses how the economy is doing before the official data is published.

"The data QuantCube Technology delivers is reliable," said Mattati. "Clients are happy with the simulations which makes us believe that this is only the beginning of the story because there is so much [more] we can do.

"We have started with sector rotation and multi asset allocation, but we can also do factor rotation, country rotation, or look at ESG. The advantage of this approach is that it is always faster than the market."

Mattatia said there is interest from structured products, asset owners and ETF providers "seeking to deploy a strategy that adapts automatically to the economy".

The development of this new index follows the launch of a recent partnership aimed at increasing MSCI's presence in the US annuities market – the index provider entered into a collaboration with Salt Financial to create risk-control index solutions for insurance companies using Salt's patent-pending truVol Risk Control Engine (RCE).

European retail investors turn sharply bearish on UK equities

Pan-European trading venue for securitised derivatives Spectrum Markets has revealed a steep decline in sentiment towards the FTSE 100 index, dropping to 87 points.

According to Spectrum, the FTSE saw a notable uptrend in the first half of September, reaching its peak around September 20th before declining towards the month's end. The movement in the FTSE 100 price can be closely tracked to the sentiment of retail investors, as reflected in the company's SERIX index.

The alignment of the two indices suggests that in September a significant proportion of activity on Spectrum linked to FTSE 100 was directional trading, though it's likely there was still an element of hedging wider equities portfolio positions, which is also common, according to Michael Hall (pictured), head of distribution at Spectrum.

In September 2023, 158 million securitised derivatives were traded on Spectrum, with 31.6% of trades taking place outside of traditional hours. More than ninety percent of the traded derivatives were on indices, 6.4% on currency pairs, 2.2% on commodities, one percent on equities and 0.1% on cryptocurrencies, with the top three traded underlying markets being DAX 40 (41.1%), Nasdaq 100 (20.4%), and S&P 500 (10.7%).

Crypto news

All the latest developments in digital assets from across the globe

Euronext lists first spot BTC tracker in Amsterdam

London-based Jacobi Asset Management has listed Europe's first spot bitcoin exchange-traded fund (ETF) on Euronext Amsterdam. The Jacobi FT Wilshire Bitcoin ETF tracks the performance of the FT Wilshire Bitcoin Blended Price Index, which is provided by Wilshire Indexes with a built-in Renewable Energy Certificate (REC) solution created in collaboration with digital asset platform, Zumo.

The new ETF is regulated by the Guernsey Financial Services Commission and trades under the ticker BCOIN. Fidelity Digital Assets provides custody services with Flow Traders acting as market maker, and Jane Street and DRW as authorised participants.

'It is exciting to see Europe moving ahead of the US in opening up bitcoin investing for institutional investors who want safe, secure access to the benefits of digital assets using familiar and regulated structures,' said Martin Bednall (pictured), CEO of Jacobi Asset Management.

The ETF also represents the first digital asset fund compliant with Article 8 of the European Sustainable Finance Disclosure Regulation through its decarbonisation strategy. Jacobi stated it has implemented a verifiable built-in renewable energy certificate (REC) solution, allowing 'institutional investors to access the benefits of bitcoin whilst also meeting ESG goals'.

The fund was first approved in October 2021 and was set to go live in July 2022. However, the firm postponed the launch as 'the time wasn't right' following the collapse of the Terra ecosystem and the bankruptcy of the FTX cryptocurrency exchange last year.

MarketVector unveils blockchain data-focused indexes

MarketVector Indexes has teamed up with financial data platform Token Terminal to provide access to products that track data in web3 and blockchains.

Under the collaboration agreement the two firms will co-create indexes using any data components extracted from open blockchains, targeting institutions, advisors and investors interested in digital assets exposure.

The partnership responds to demand from institutional clients interested in an index product that 'is easily understandable for investors from traditional finance,' Martin Leinweber (pictured), digital asset product strategist at MarketVector.

'By integrating fundamental data into our index methodology, we can better reflect blockchain protocols' true economics and user traction,' Leinweber said. 'We believe that the next cycle of crypto adoption will be driven more by fundamentals than the previous cycles.'

The Frankfurt-based index provider aims to incorporate Token Terminal's perspective in data and analytics into its Digital Asset index to provide a 'more comprehensive view of the crypto marketplace to its clients'.

SEBA gets HK approval-in-principle to offer structured products

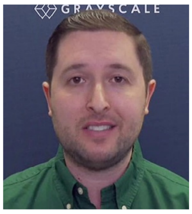
SEBA Bank Hong Kong, the subsidiary of Swiss crypto-focused SEBA Bank, has been granted an approval-in-principle from the Securities and Futures Commission (SFC) to operate regulated virtual asset activities in Hong Kong SAR.

The launch of Hong Kong's first licensed retail trading exchange is the first step for SEBA Hong Kong to acquire an official licence, which will allow it to operate as a licensed entity once all the SFC conditions have been met.

The licence will allow SEBA to offer crypto services and deal in securities, including 'virtual assets-related products, such as OTC derivatives and structured products, advise on securities and virtual assets, and conduct asset management for discretionary accounts in both traditional securities and virtual assets'.

Led by CEO Franz Bergmüller (pictured), SEBA Bank received its Swiss banking and securities dealer licence in August 2019. In February 2022, the bank secured financial services permission to operate in Abu Dhabi.

Grayscale wins lawsuit against the SEC



The US Court of Appeals for the DC Circuit court on 29 August ruled against the Securities and Exchange Commission (SEC)'s decision to deny crypto asset manager Grayscale Investments' request to convert its bitcoin trust into an exchange-traded fund (ETF).

The Court stated that Grayscale 'presented substantial evidence that Grayscale's request is similar, across the relevant regulatory factors, to bitcoin futures exchange-traded products (ETPs),' and 'the commission failed to adequately explain why it approved the listing of two bitcoin futures ETPs but not Grayscale's proposed bitcoin ETP'.

The SEC denied Grayscale's application to convert its spot Grayscale Bitcoin Trust into an ETF in 2022. Grayscale was among the asset managers along with Fidelity and Invesco whose spot Bitcoin ETF applications have been rejected by the regulator for investor protection reasons. The SEC previously approved Bitcoin futures ETF but has yet to give the green light to spot Bitcoin ETFs.

The court's decision coincided with a flurry of large financial institutions such as BlackRock and VanEck awaiting the regulators' decision on their bitcoin spot ETF applications.

'It's incredibly exciting that we are one step closer to making a US spot bitcoin ETF a reality,' said Michael Sonnenshein (pictured), CEO of Grayscale.

Bitget unveils fully protected snowball play

Crypto derivatives and copy trading exchange Bitget has launched the Bitget Snowball, its groundbreaking structured investment product aimed at sophisticated investors.

The new instrument will provide users with up to 24.5% APR with no risk to the capital invested. The Bitget Snowball structure aligns with the overall "trade smarter" philosophy the firm has been using among a younger and more market-knowledgeable audience of users.

The Bitget Snowball is designed to help users navigate the ever-evolving cryptocurrency market landscape with a heightened level of confidence and security, while maintaining a relatively low-risk profile, according to Gracy Chen (pictured), managing director at Bitget. 'With the launch of Snowball, we are redefining the crypto investment landscape. Snowball isn't just a product; it's a testament to our dedication to helping users trade smarter and more confidently in the dynamic world of cryptocurrencies,' Chen said.

The Bitget Snowball is designed for users of both bullish and bearish approaches. the bullish option is focused on safeguarding users' principal while predicting future prices to fluctuate moderately or experience slight increases within specific price ranges. the bearish option is best suited for users aiming to protect their principal while predicting future prices to fluctuate moderately or experience slight decreases within specific price ranges.

Bitget will provide all subscribing users with a comprehensive scale chart of knock-in and knock-out prices for both bullish and bearish scenarios - users of the snowball will have the right to early redemption as well, the latter being based on the accumulated APR at the time of submitting the early redemption application.

WisdomTree introduces staking in physical ether ETP

Asset manager WisdomTree has enabled staking in its physically backed ether ETP to capture yield that ranges from four to eight percent pa, according to the company's announcement.

The ETP – WisdomTree Physical Ethereum (ETHW) – is listed on Börse Xetra, SIX, the Swiss Stock Exchange, and Euronext exchanges in Paris and Amsterdam and has a total expense ratio of 0.95%.

Using Ethereum's native cryptocurrency as the underlying, the staking feature on the fund allows investors to access the crypto assets without the need to hold them directly, store private access keys, or interact with the blockchain infrastructure, stated the firm.

'Staking has the potential to make investing in cryptocurrencies more attractive for investors,' Alexis Marinof (pictured), head of Europe at WisdomTree, said in the statement.

ETHW became the second ETP to provide a staking reward in WisdomTree's cryptocurrency product range, following the step of WisdomTree Physical Solana (SOLW). The custodians for WisdomTree's ETPs are Swissquote and Coinbase Custody Trust Company, according to the firm.

Deutsche Bank taps Taurus' custody, tokenisation services

Deutsche Bank has partnered with Taurus, a Swiss-based digital asset infrastructure provider, with the aim of leveraging custody and tokenisation technology to manage cryptocurrencies, tokenised assets and digital currencies, according to Taurus' announcement.

'As the digital asset space is expected to encompass trillions of dollars of assets, it's bound to be seen as one of the priorities for investors and corporations alike,' said Paul Maley (pictured), global head of securities services at Deutsche Bank. 'As such, custodians must start adapting to support their clients.'

The latest development came after Taurus' integration to the Ethereum's scaling platform Polygon blockchain across its custody and tokenisation platform in June in a move to allow banks, brands, and issuers to issue, book and service any tokenised assets via Polygon in a fully automated way.

Earlier this year, Deutsche Bank participated in Taurus' US$65m Series B funding round alongside Credit Suisse, Pictet Group, and Arab Bank Switzerland.

Talos unveils crypto options trading

Talos, a US provider of institutional digital asset trading technology, has announced the launch of a partnership with cryptocurrency derivatives exchange Deribit to offer options trading on its platform as it seeks to extend tradeable assets for its clients.

The integration between Talos and Deribit allows institutional traders in select jurisdictions to access the exchange's options liquidity through a new Talos interface designed for institutional options traders.

The launch will provide clients with a 'single interface' to manage their cryptocurrency portfolio, including spot, futures, perpetual and options, with advanced execution tools initially including limit and pegged orders and an Iceberg algo.

'With the full Deribit options chain now at their fingertips, Talos clients can unlock a myriad of strategic possibilities, allowing them to effectively manage risk, enhance portfolio diversification, and capitalise on the immense potential of crypto,' said Neelabh Dixit (pictured), commercial product manager, derivatives at Talos.

Singapore tokenisation platform eyes Middle East

Singapore's ADDX has unveiled plans to expand into the Middle East and North Africa (Mena).

The regulated tokenisation platform and private exchange has raised US$140 million in venture capital, primarily from several major Asian financial institutions including the Singapore Exchange (SGX) and the Stock Exchange of Thailand (SET), to expand into Mena to help pre-IPO companies leverage blockchain to raise funds.

'It offers the ability to strengthen the economic connection and flow of investment capital between key Apac and Middle Eastern markets while fostering the growth and expansion of strategically important MSMEs across the region,' said Danny Toe (pictured), founder and Group CEO of ADDX.

ADDX has been one of the most prolific tokenisation platforms, listing more than 80 deals so far including pre-IPO companies. It has also facilitated a US$100 million bond issuance for SingTel, and several asset managers issued funds using the platform. Other listed assets on the platform range from private equity and venture capital to funds, real estate and structured products. Some of its issuing partners include Hamilton Lane, Partners Group, Investcorp, Singtel, UOB, CGS-CIMB, as well as Temasek-owned entities.

Northstake raises €2.8m to bolster institutional staking

The Copenhagen-based cryptocurrency staking platform has raised €2.8M from PreSeed Ventures, Morph Capital, The Aventures Fund, Funfair Ventures and Delta Blockchain Fund. The proceeds will be used to improve its multi-chain staking platform designed for institutional investors, which offers single asset, multi-asset, thematic and yield generating products, Northstake announced on 22 June. The staking products are packaged into structured products based on known investment vehicles, according to the firm. The platform operates in compliance with incoming crypto regulation in the EU (MiCA). 'We will continue to work with regulators on developing crypto regulation in Europe and the Middle East,' said Jesper Johansen (pictured), CEO and founder of Northstake.

SG Forge gets first crypto license in France

Société Générale (SG) Forge has obtained its regulatory license approval as a digital asset service provider (DASP) in France. The license approval means that SG-Forge becomes the first licensed company to provide services such as buying and selling, custody and exchange of digital assets - the digital assets arm of SG registered the DASP with the French Financial Markets Authority (AMF) in September 2022.

With the DASP license, the SG subsidiary reaffirms 'its pioneering role in the crypto assets ecosystem,' according to Jean-Marc Stenger (pictured), CEO of SG Forge.

'This step will allow us to continue supporting our institutional clients wishing to benefit from services on digital assets that meet the highest standards of compliance and banking security,' he said.

The DASP approval came after SG Forge's launch of the Euro CoinVertible (EURCV) in April, a euro stablecoin on the Ethereum public blockchain that complements the firm's business offer to institutional clients who seek to 'benefit from innovative settlement and cash management solutions'.

SG Forge anticipates the implementation of the European Union's Markets in Crypto-Assets Regulation (MiCA), with the objective to regulate the crypto-asset market at the European Union level by 2024.

Alpha Blue Ocean (ABO) invests US$200m to Islamic Coin

Bahama-headquartered ABO, an investment firm dedicated to structured products, has put down US$200m in the Shariah-compliant cryptocurrency through its subsidiary ABO Capital. Its total funding of Islamic Coin has reached US$400m, surpassing Circle, BlockFi and Solana, according to a statement issued by ABO on 3 July. Islamic Coin is a native currency of HAQQ, a community-run network, dedicated to empowering an ethics-first Shariah-compliant financial ecosystem. The latest partnership will 'help the team structure innovative Shariah-compliant financial products that could be used in the digital asset space to raise alternative funding'. It is 'revolutionizing the Shariah-compliant market by introducing digitization', said ABO Digital CEO Amine Nedjai (pictured).

Nasdaq halts plan for crypto custody service amid US regulatory uncertainty

The US exchange has ditched its plan to launch a cryptocurrency custody service, citing regulatory uncertainty in the US, according to CEO Adena Friedman (pictured).

'Considering the shifting business and regulatory environment in the US, we've made the decision to halt our launch of the US digital assets custodian business and our related efforts to pursue a relevant license,' Friedman said in the company's Q2 2023 earnings call.

Nasdaq revealed in March that its custody service, which was announced in September 2022, is expected to go live by the end of the second quarter. The firm had applied to the New York Department of Financial Services for a limited-purpose trust company, which would oversee the customer business.

Friedman said Nasdaq will continue to support the digital asset industry including partnerships with potential exchange-traded fund (ETF) issuers and providing technology for cryptocurrency custody.

Nasdaq's move came after a flurry of aggressive regulatory actions from U.S. authorities this year. In February, the US Securities and Exchange Commission (SEC) chair Gary Gensler proposed amending federal custody requirements, expanding the rules to include assets like cryptocurrencies.

Defi platform rolls out new customisable interest rate structures

Decentralized finance (DeFi) platform Struct Finance has announced the mainnet launch of its Interest Rate Vaults and tranching mechanism. The newly introduced Interest Rate Vaults allow investors to split and repackage the risk of yield-bearing DeFi assets into different tranches that align with their risk profiles.

This is achieved through "tranching" with each interest rate product representing a single vault split into two portions, or tranches, with different return configurations including a fixed-return tranche - designed for conservative investors seeking consistent returns- and a variable-return tranche – for investors with a higher risk appetite.

Struct Finance co-founder Miguel Depaz (pictured) said the platform's mission is to make structured financial products 'accessible and easy to understand for everyone'.

'Traditional financial products aren't permissionless to use or create [...] in fact, they are largely inaccessible to most people. We are making these structured financial products accessible and easy to understand for everyone,' he said.

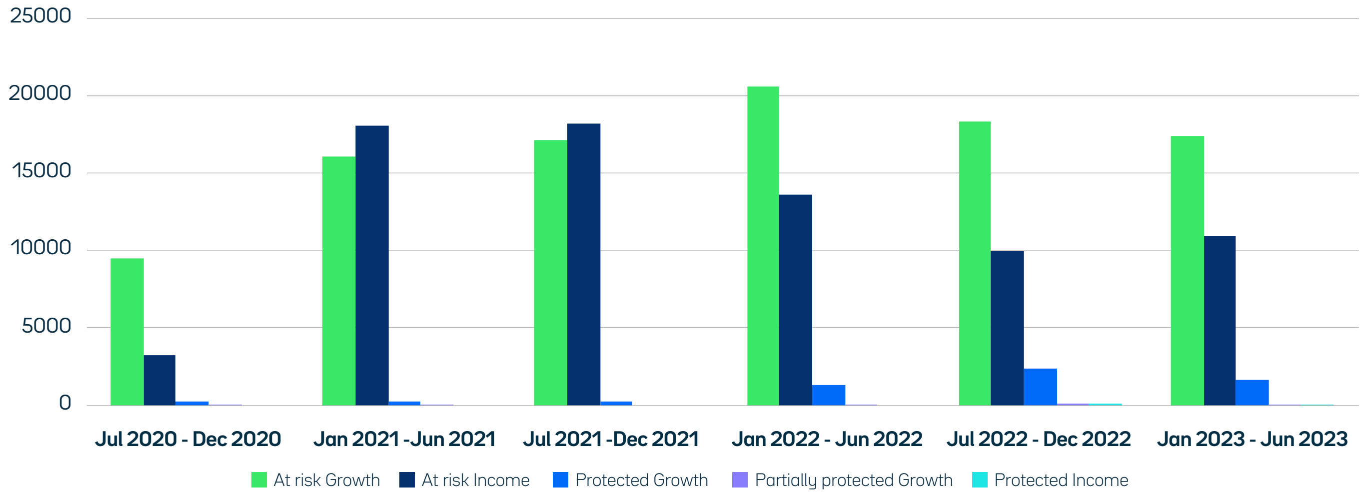
DAO examines limits to on-chain structured product market

Index Coop, a decentralised autonomous organisation (DAO), has released a report pinpointing several challenges facing structured products in the digital asset industry such as infrastructure limitations, intending to improve the experience of investing in cryptocurrency. The infrastructure limitations of this sector include a need for cross-chain asset support, high and volatile issuance and redemption costs to maintain products and difficulty rebalancing on-chain products due to slippage.

US trends:
shift back to protected growth continues

An analysis of the US market over the last three years shows the changes in the use of product types as the macro environment evolves. *By Suzi Hampson*

Figure 1: Product notional (USD m) by capital and aim property - Jul 2020 – Jun 2023



Source: StructPro

Earlier this year we used data from StructrPro to look at the best and worst performing underlyings in the US. Performance statistics for individual products and portfolios are the main focus of StructrPro however this article is going to examine trends in the market which is another key area that can be performed by using StructrPro.

The following analysis has been extracted from StructrPro and covers products striking since July 2020. Products are grouped into six-month periods and the products within each period can then be group into categories of different criteria.

Figures 1 and 2 illustrate the change in product characteristics over the past three years. Figure 1 is broken down into broad categories focusing on return aims and capital repayment.

Figure 2 covers a structured product specific product type breakdown. The charts also show the progression of total USD sales of products over the period. The most noticeable feature is the very low total for the first period of this analysis (shortly after the start of the Covid-19 pandemic) and the recovery over subsequent semi-annual periods.

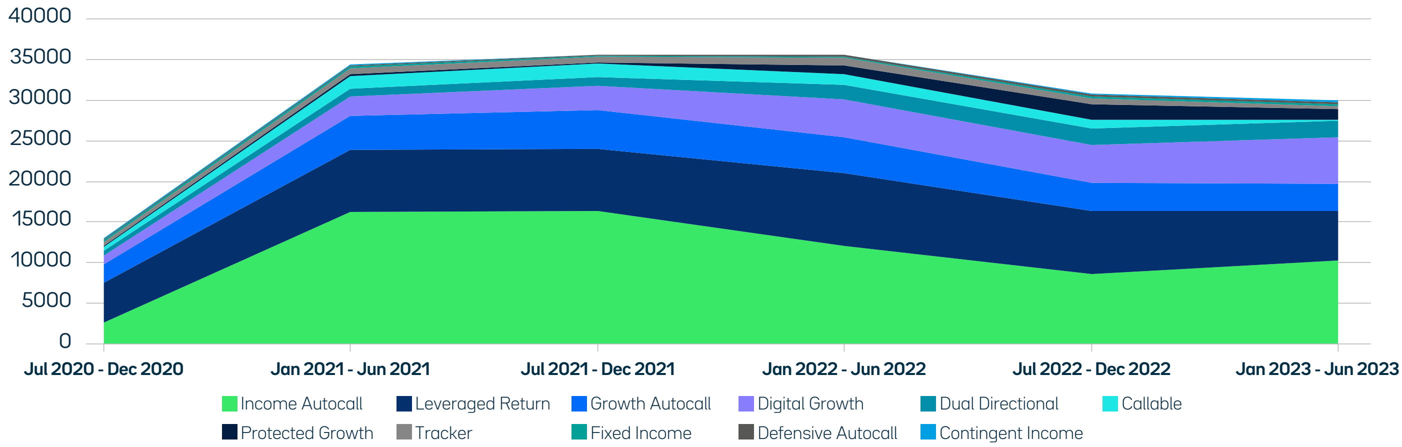
From both charts we can see a change in the proportion of income vs growth products. During 2021 income autocalls were the most popular product type and at-risk income (which also includes traditional reverse convertibles) was the most common of the more general capital aim categories.

This trend reversed for the following three periods as at-risk growth products have once again become the most popular category with leveraged return, and digital growth products increasing their market share. This suggests that where investors were looking to structured products to provide yield outside of traditional income investments there has been a shift back to growth products as risk free rates have risen and income seeking investors have other solutions elsewhere.

Protected growth products have become more common over the past 18 months and there have also been a small number of capital protected income products over the past year. The rise in capital protection can also be contributed to the rise in interest rates. Higher rates makes structuring capital protected products easier as the capital protection costs less and therefore there is more to spend on options leading to more attractive product terms.

Figure 3 shows a breakdown for each period of the top 10 most common underlyings. This analysis shows how many times each underlying appears in a product either as a single underlying or as

Figure 2: Product notional (USD m) by product type Jul 2020 – Jun 2023



Source: StructPro

part of a basket. This chart shows the breakdown by number of product issued (rather than notional amount).

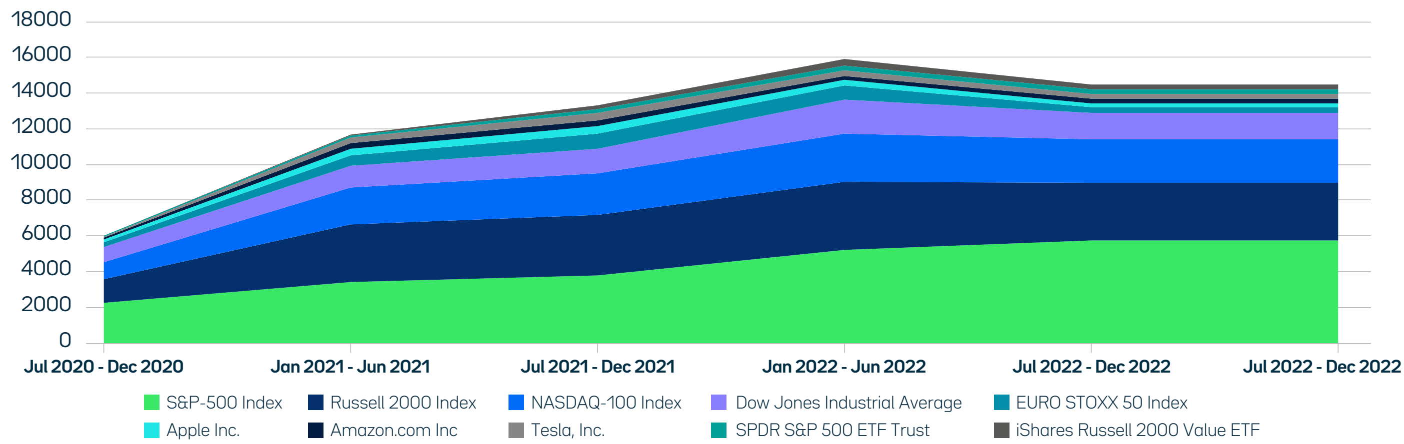
The top five underlyings of the ones shown here are all benchmark stock market indices. These are consistently the most popular underlyings in the US and are used in products either as the sole underlying or as part of a basket. During 2021 when the market was recovering from Covid-19 there was a sharp increase in both the number of products issued and sales volume.

During this period the spread of underlyings was greater than for subsequent periods and the proportion of products linked to the top five was lower than for the other four periods although still over 50%. Over the past year the number of products linked to the larger underlyings has been higher and more stable and the last period observed had the highest proportion of products linked to the S&P 500 suggesting some preference for products linked to established names.

Identifying trends in any market is interesting both in terms of looking backward and for forecasting future or expected behaviours. Keeping abreast of patterns such as some of the observations discussed here enables stakeholders to monitor the current situation and gives an idea of how the market reacts in certain environments which may help predict the direction the market is headed.

StructrPro is a US structured products data service that can be used to analyze both live and matured products from the SRP US database using analytics powered by FVC.

Figure 3: Product issuance by underlying Jul 2020 – Jun 2023 for top 10 underlyings by total number of products over the three-year period



Source: StructPro

Low volatility opportunities

In the early stages of the Covid pandemic in 2020, there was significant economic turmoil and a stock market crash. *By Tim Mortimer*

Image: Volatility KanawatTH/Adobe Stock

In the three years that have followed, market volatility levels (both implied and historic definitions) have steadily dropped to the point where most measures are at very low levels.

Implied volatility is the more important for structured products as it reflects market pricing. There are many ways to assess the levels of implied volatility and different markets, geographic regions and asset classes do not move in lockstep.

A popular and convenient way to gauge volatility is the VIX Index which calculates the level of S&P 500 implied volatility. The VIX Index takes observed prices of exchange-traded options, and uses an accepted and transparent mathematical methodology developed 30 years ago. The headline VIX index is based on liquid very short dated (30-day) options. Although it is quoted less often, the one-year and longest VIX measure (ticker: VIX1Y) is more stable and better representative of volatility levels that are relevant for short to medium term structured products.

The VIX1Y peaked in March 2020 at 40% and was still at 33% in October 2022 after the global concerns of conflict, inflation and interest rate rises last year. In the last nine months, the index has fallen steadily and as of 28 July 2023, stands at just over 20%. In contrast, the headline VIX peaked at 66% in March 2020 but has now fallen all the way to 13%.

This major structural shift in pricing conditions coupled with the rise in interest rates that has occurred in the same period has significant implications for issuing structured products and creates many new opportunities. We will examine two aspects of this new low volatility environment - the type of products that now look attractive and how to tactically play the secondary market.

For many years most markets had a regime of low interest rates and moderate to high volatility. This tended to encourage yield enhancing capital at risk solutions which would use the healthy premiums generating by taking downside risk (essentially selling a put option of some kind) to boost yield from the one to three percent risk-free interest rate range to levels closer to six to 10% expected and demanded by many investors.

Now that risk-free rates are around five percent and coupled with the extra pick up from taking bank credit risk, there are income solutions that some investors are happy with that do not have any equity risk. The structured product sector has also seen good demand from issuer callable fixed income solutions where fixed income paid but with the issuer having the right to call (terminate) the product early, for example annually after two years on a five-year product. This can enhance yield by up to one percent per annum and to many investors seems like an almost irrelevant concession since it affects neither capital nor income rates.

For those seeking more than the risk-free rate, one increasingly popular approach is to offer for contingent equity linked income while retaining capital protection. An example of this is to pay a fixed coupon each year if an equity index is above its starting level. These types of strategies strike a good balance of risk and opportunity but have little volatility sensitivity and so do not benefit significantly from lower market volatility.

Decreasing volatility levels shift the opportunity back to growth solutions because the way to benefit is to buy options and income products have limited opportunity to do so. The most obvious solution to take advantage of low volatility would be a five to seven year capital protected product with full participation in equity growth.

This would benefit from low option prices but would need strong equity growth to yield the best return. A more likely compromise therefore would be a capped participation product which boosts the equity exposure up to the cap level and would provide a higher return in the event of moderate equity growth. There is also a perception that equity markets are quite expensive, the S&P 500 for example sits at less than five percent from its all-time high near the end of 2021 making capped products more logical.

By contrast, lower volatility levels make the standard at risk equity linked products less attractive because the premium generated is much less. These include capital-at-risk autocalls which have dominated for many years. Such products are usually at least five years long and if volatility levels were to pick up again, valuations would suffer in the secondary market.

However, even for this type of products there are some benefits in lower volatility, for example barrier levels can be made more defensive, going down from perhaps 70% to 50% since this protection is now cheaper.

While lower volatility levels do represent a significant change in pricing conditions, it is not clear that this will lead to a seismic shift in investor demand since the focus on yield remains very high for most investors.

Analysis of the secondary market also deserves attention. For most retail investors, relying on the secondary market except in times of need is not always economic because of the bid-offer spreads that can be charged. Listed products or those sold to a single end client such as a private bank give better opportunities to tactically play changes in pricing conditions because bid-offer spreads tend to be lower.

Capital-protected growth products stand to benefit the most in the secondary market if volatility levels rise. In the event markets perform reasonably in the early part of a product's lifetime, but volatility levels pick up, it may be worthwhile to sell on the secondary market and get a return from both the delta effect (market performance) and from vega (volatility sensitivity). The overall rate of return for the product earned in the first year or two would be therefore quite attractive, particularly if the expectation is that markets have little further upside. Changes in interest rate levels will also influence any decision to sell early, a fall in interest rates would further boost secondary market values. Successful activity on the secondary market can be achieved but does require frequent and accurate monitoring and sufficiently strong product growth to overcome the initial bid-offer spread of the product.

Therefore, we can deduce that the current low volatility environment will present interesting new opportunities in product issuance and secondary market activity.

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

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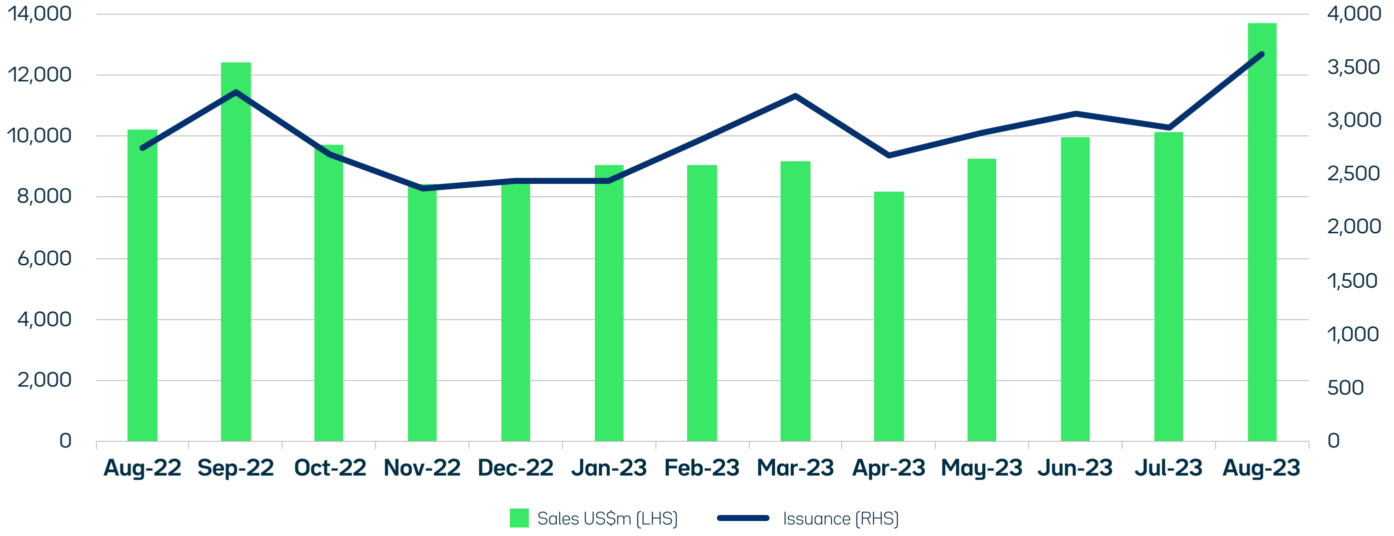
Generally, distributors have set barrier levels at those which reduce risk to capital but does not lose all the advantages in terms of yield or return

Spotlight on...
a record month in the US

Some US$13.7 billion was collected from 3,622 newly issued structured products in August 2023 – the highest monthly sales volume recorded in the US market since the launch of the SRP US database in April 2006.

US: Sales & issuance between August 2022 and August 2023



Source: SRP

Sales volumes increased by 34% compared to August last year and by 35% month-on-month (Jul 2023: US$10.1 billion). The previous high was seen in September 2022, when US$12.4 billion was gathered from 3,268 products.

The top issuers in August included J.P. Morgan, Barclays Bank and Citigroup with a market share of 19.5%, 12.8%, and 12%, respectively. Goldman S achs captured 11.8% of the US market while Bank of America completed the top five (6.6%).

Barclays was the manufacturer behind the best-selling product of the month. The bank's Synthetic Convertible Notes (06741W7A2) on the Class A common stock of Alphabet achieved sales of US$450m. It pays an annual coupon of four percent, whilst at maturity, providing the share closes at or above 132% of its starting price, it offers 75.6% participation in the rise of the underlying.

The 1,312 products linked to an index basket sold a combined US$4.3 billion – the equivalent of a 31.2% market share, and up 10.8 percentage points year-on-year (YoY). Compared to July 2023, sales of index basket-linked structures increased by US$1.4 billion.

Nine hundred products worth US$4 billion were tied to a single index, including 561 linked to the S&P 500. Although sales volumes were up US$300m YoY, the market share for products linked to single indices decreased: from 36.5% in August 2022 to 29% in August this year.

Products linked to single stocks saw their market share increase to 13.8% - up 4.9 percentage points YoY. The 657 structures in question collected US$1.9 billion with the shares of Tesla (56 products), Nvidia (50), and Amazon (48) the most frequently used.

ETF-linked produc ts also increased their market share (+0.90%), with the 192 products on offer during August selling slightly more than US$700m.

Thirty-six percent of ETF-linked sales was invested in products linked to SPDR S&P 500 ETF Trust, with a further 17% invested in products linked to Energy Select Sector SPDR Fund.

Spotlight on...
issuers in South Korea (Q2 2023)

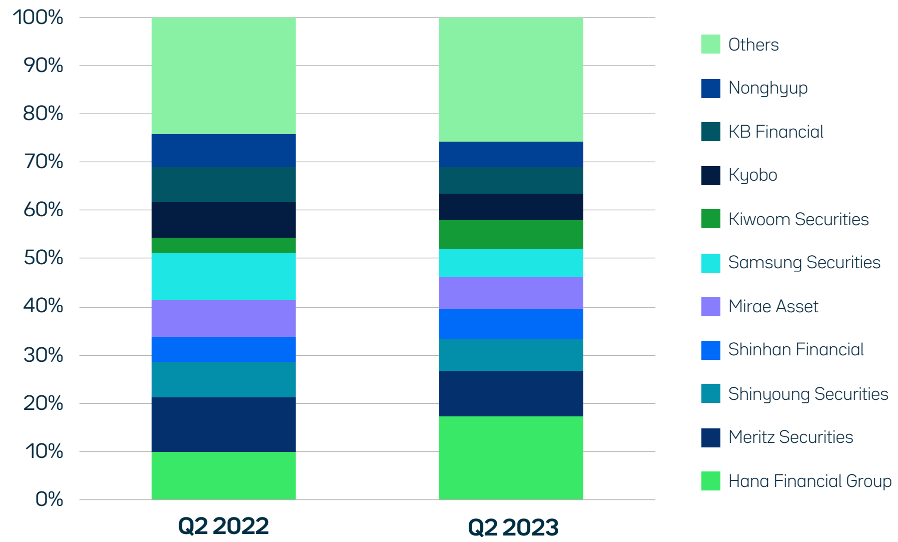
Some KRW16.4 trillion (US$12.5 billion) was collected from 5,221 structured products (excluding flow- and leverage) in the second quarter of 2023 – an increase of 11% by sales year-on-year (YoY).

Average volumes, at KRW3.1m per product, were level from the prior year quarter. Approximately 84% of total sales was invested in 3,904 products targeted at retail investors with the remaining volumes coming from private placements.Twenty-two issuer groups – mainly local securities houses – were active during the quarter, the same number as in Q2 2022.

Hana Financial was the number one issuer in the quarter. The company claimed 17.2% of the Korean market, up 7.2 percentage points YoY – the biggest increase of any issuer group in Q2.

Hana issued 452 products worth KRW2.8 trillion, with almost 50% of its sales coming from products linked to an equity index basket and a further 35% tied in products on the interest rates.

South Korea: Top 10 issuer groups - Q2 2022 vs Q2 2023



Source: SRP

In second place, Meritz Securities captured 9.6% of the Korean market in Q2 2023 – down from 11.4% in Q2 2022. The firm achieved sales of KRW1.6 trillion from 298 products that again mostly focused on baskets of equity indices (62% of all sales) often including the S&P 500, Eurostoxx 50, and Nikkei 225 or Kospi 200.

Margins were tight in Korea, with the next eight issuers that completed the top 10 separated by only 1.1 percentage points.

There was certainly not much between Shinyoung Securities and Shinhan Financial – in third place and fourth place – which held a market share of 6.5% and 6.4%, respectively. The former gathered sales of KRW1.1 trillion from 302 products while Shinhan sold 402 products worth just under KRW1.1 trillion.Just behind those two, Mirae Asset completed the top five with a 6.3% market share (Q2 2022: 7.6%) that was achieved from selling 449 products worth KRW1.1 trillion.

Kiwoom (5.9% market share) was responsible for the best-selling product of the quarter, collecting KRW219.6 billion with Dream ELB 365. The one-year digital offers 104.4887% at maturity, providing the underlying share of Samsung Electronics closes at or above its initial level on 26 June 2024.

The best performing product of the quarter was Kiwoom New Global 100tr Club ELS 589, which returned 109.25% (40.48% pa).

Hana Financial and Meritz Securities stood out from the competition in a quarter that saw sales increase by 11% YoY

Product wrap:

In this wrap, we look at a selection of structured products with strike dates between 19 June and 6 October 2023.

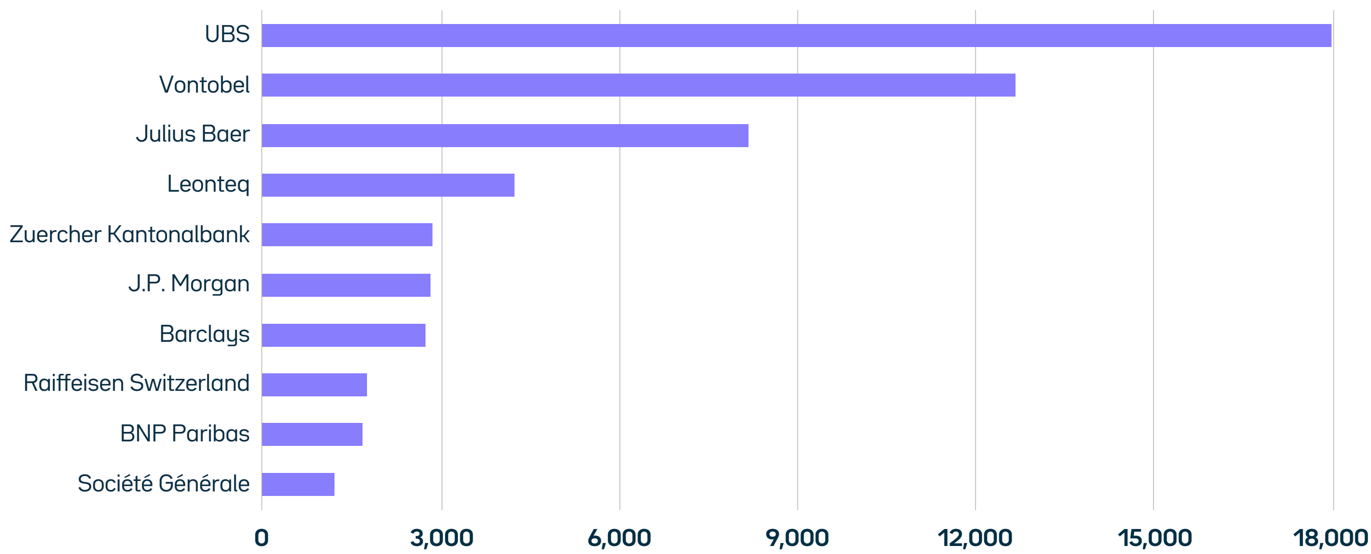
EUROPE

Gan Patrimoine marketed Porphyre Septembre 2023 in France. The eight-year life-wrapped structure offers access to the MSCI EMU Social Leaders Select Top 30 5% Decrement Index, which tracks the performance of a set of 30 companies from the European Economic and Monetary Union region with the highest free float adjusted market capitalisation that also have a robust Social Pillar Score. The product has a knockout feature that is triggered if the index closes at or above its initial level on any annual valuation date. In that case, it returns 100% of the nominal invested, plus a coupon of nine percent for each year that has passed. The product is not a green bond or other type of sustainable investment; however, Morgan Stanley (the issuer) is committed to paying the National Geographic Society a donation equal to 0.20% of the nominal value. The unconditional gift will be at least equal to €20,000 Euros and will be used to finance the efforts of the National Geographic Society for conservation and exploration of oceans. Priips Summary Risk Indicator (SRI): four out of seven.

Bpost Bank distributed Social Bond Callable Interest 10/2027 in Belgium. The four-year medium-term note (MTN) pays a fixed annual coupon of 5.30% (3.71% after withholding tax) during the first two years of investment. The following years, a variable coupon equal to three times the difference between the 30-year EUR constant maturity swap (CMS) rate and the five-year EUR CMS rate, is paid. From the end of year two, BNP Paribas Issuance BV (the issuer) can decide to call the product for a capital return of 100%. The funds raised with this issue are allocated exclusively to finance initiatives that are identified by BNP Paribas as having a positive social impact on a target audience: access to education, housing and health services, local economic development, socio-economic independence. Priips Summary Risk Indicator (SRI): one out of seven.

Deutsche Bank gathered €29.9m (US$31.5m) with the Green Floating Rate Note in Spain. The two-year product pays an annual coupon equal to the three-month Euribor, subject to a minimum of two percent and a maximum of four percent pa. Deutsche intends to apply the proceeds from the offer specifically to finance or refinance both loans to and investments in corporations, assets,

Europe: top 10 issuer group by issuance - 19 Jun to 6 Oct 2023*



**Excluding flow- and leverage products*

Source: SRP

projects and/or activities that promote climate-friendly, energy efficient and other environmental purposes. The product is listed in Luxembourg. Priips SRI: one out of seven.

Santander collaborated with Goldman Sachs International for the launch of Certyfikaty z Ochroną Kapitału w PLN in Poland. The 1.5-year certificate offers a return linked to the performance of two shares: Visa and PayPal. At maturity, the product returns 100% of the nominal invested plus a coupon of seven percent, regardless of the performance of the underlying shares. However, if both shares close at or above their strike price, an additional coupon of 2.50% is paid. This product is not listed. Priips SRI: two out of seven.

Equity Protection con Cap e Cedola con Effetto Memoria e Lock-in was distributed in Italy via **Banco BPM** and **Banca Aletti**. The five-year investment certificate is linked to the Eurostoxx 50 and offers a conditional annual memory coupon of 4.60%, providing the index closes at or above its initial level on any valuation date. Once the conditional coupon is paid, the lock-in mechanism is activated, and the coupon is guaranteed for the remainder of the term. At maturity, the product offers 100% capital return. Banca Akros is the calculation agent. A commission of 2.90% applies. Other charges of 1.19% and a structuring cost of 0.725% are included in the issue price. Priips SRI: three out of seven.

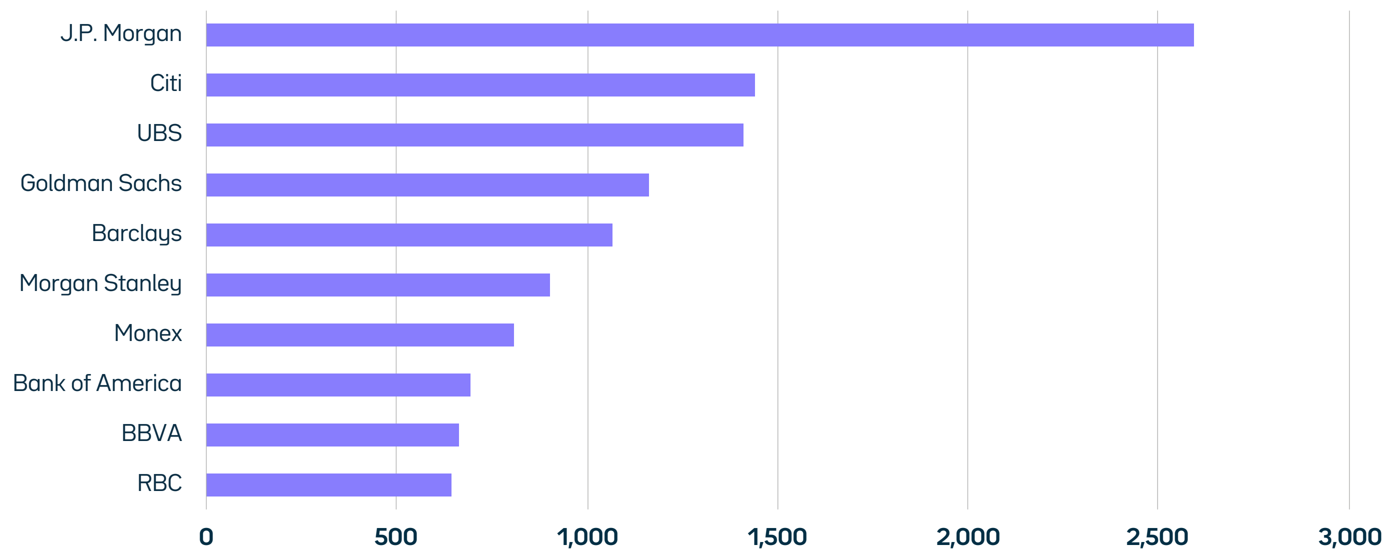
Meteor Asset Management introduced Recallable Fixed Growth Plan September 2023 (CA) 7738 in the UK. The five-year product is issued on the paper of Crédit Agricole CIB, which can call the product – annually, from the end of year two onwards – for a payout of 100%, plus a coupon of seven percent for each year elapsed. At maturity, the plan will pay an investment return of 35%. The product is subject to a minimum investment of £5,000 and is available for individuals; stocks and shares Isa/Isa transfers; pension schemes; and for trustees, companies, and partnerships. Meteor will receive a fee of up to 1.50% for marketing and administering the plan. Priips SRI: one out of seven.

Wilgenhaege launched Double Digit ASR-L'Oréal in the Netherlands. The five-year Athena autocall is linked to two shares: ASR Nederland and L'Oréal. Every year the performance of the shares is measured and if both close at or above their initial level on the annual validation date, the product redeems early, returning 100% of the invested capital, plus a coupon of 16.20% for each year that has passed. At maturity, the European barrier for soft capital protection is 70%. The product is issued via SG Issuer with Société Générale acting as the guarantor. Priips SRI: six out of seven.

AMERICAS

Barclays Bank's Synthetic Convertible Notes (06741W7A2) on the Class A common stock of Alphabet is the best-selling US product in 2023 to date. The three-year registered note, which is targeted at institutional investors, sold US$450m in August. It offers a fixed coupon of four percent per annum. At maturity, the product offers minimum 100% capital return. However, if the final level of the underlying share is at or above 132% of its initial level, the product offers an additional return equal to 75.6% of the rise in the share. The initial issue price is US$108.90 while the estimated value of the notes is US$107.30.

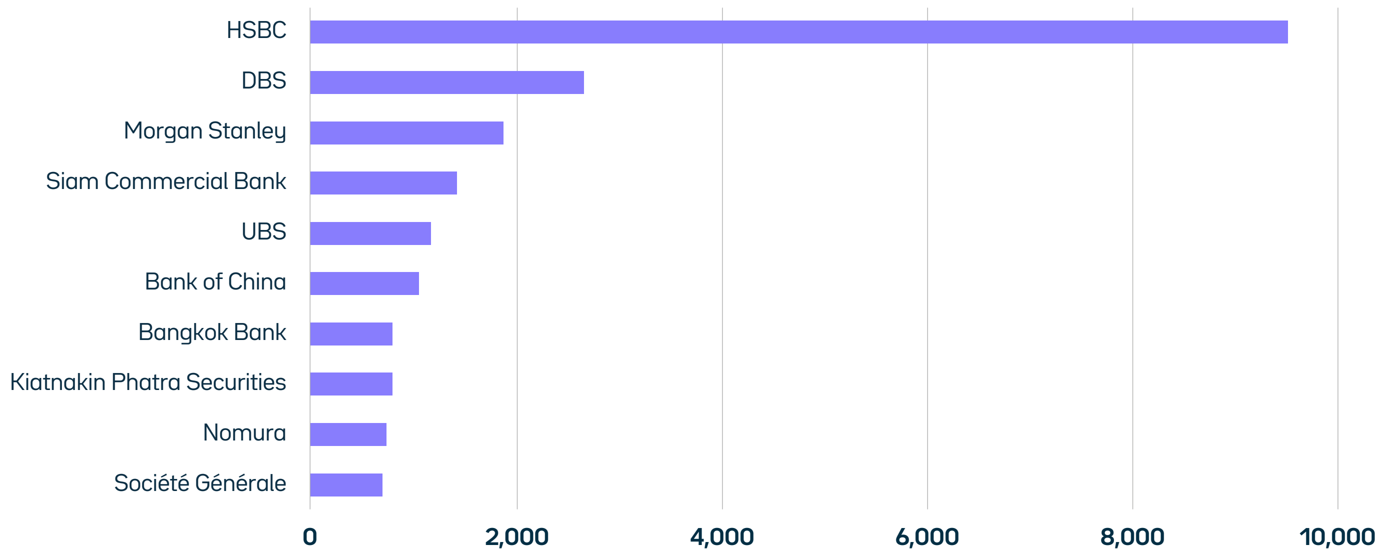
Americas: top 10 issuer group by issuance - 19 Jun to 6 Oct 2023*



**Excluding flow- and leverage products*

Source: SRP

Asia Pacific: top 10 issuer group by issuance - 19 Jun to 6 Oct 2023*



***Excluding flow- and leverage products** *Source: SRP*

In Canada, **The Bank of Nova Scotia** sold BNS Cyber Security Basket Callable Contingent $14.01 Coupon Notes, Series 5 (CAD). The five-year Phoenix autocall offers access to an equally weighted basket comprising three shares from the software & services sector: Zscaler, Crowd Strike Holdings, and Cloudflare. If the worst performing share is above 60% of its initial level at any observation date, the product pays a fixed Coupon of 14.01% pa. Otherwise, no coupon is paid.

BBVA accumulated sales of MXN68.2m from investors in Mexico with an Accrual Range Note linked to the appreciation of the US dollar relative to the Mexican peso. At maturity, the product offers 100% capital return, plus 4.3746% pa prorated for the number of business days in the investment period when the USD/MXN is equal to or greater than 16.6035, and equal to or lower than 17.7035. Otherwise, the product offers a capital return of 100%.

XP Investmentos launched XP Índice de Tecnologia Bidirecional in Brazil. The five-year capital protected note features the twin-win payout and offers access to the proprietary Solactive XP Indice de Acoes Americanas de Tecnologia VT 19% Index. At maturity, the product offers 100% participation in the positive performance of the index.

ASIA PACIFIC

Okigin Securities sold JPY5.8 billion (US$39.2m) worth of 固定利付コーラブル債/Callable Interest Rate linked Bonds M20280929 in Japan. Every six months during the five-year term, the product offers a fixed coupon of 0.81% pa. The product is callable on any interest payment date from the end of the first year onwards. Barclays is both the bond provider and derivatives counterparty for this product, which was also available via YM Securities, Chugin Securities, Barclays Securities Japan, Gungin Securities, Nanto Mahoroba Securities, and 77 Securities.

HSBC Bank issued 股票掛鈎投資2023/Basket DCDC ELI DFBAS2303054 in Hong Kong SAR. The three-month daily cash dividend callable product is linked to a basket of two shares: Bank of China (H Shares), Agricultural Bank of China (H Shares). The product has a daily autocall condition and a knock-in feature, which is set at 97%. The exercise price is between 97.95% and 100% of the initial spot price and the call price is set at 105%. The fixed cash dividend rate is 0.92%.

Shanghai Pudong Development Bank targeted 上海浦东发展银行个人银行结构性存款/30D CNY Structured Deposit 24012314 at retail investors in China. The product has a tenor of 30 days and is linked the appreciation of the euro relative to the US dollar. At maturity, if the EUR/USD is above 104.5% of its initial level, the product offers 100% capital return, plus a coupon of 2.65% pa. If the currency pair is at or above 96% and at or below 104.5%, the product offers 100% capital return plus a coupon of 2.45% pa. Otherwise, the product offers 100% capital return plus a coupon of 1.3% pa.

In South Korea, **Dongbu Securities** launched DB Happy Plus DLS 763. The six-month digital is linked to the Korea Treasury Bond 3M. At maturity, if the final spot rate is at or above 95%, the product offers 100% capital return, plus a coupon of 2.2301%. Otherwise, the capital return is 99%.

People moves

LBBW head of certificates moves to Singapore in Apac push

The German lender is expanding its financial markets business in Asia.

Landesbank Baden-Württemberg (LBBW) has appointed **Jan Krüger** (pictured) as its new head of capital markets for Asia Pacific (Apac) in the Singapore branch.

Krüger, previously head of the equity markets department and, amongst others, responsible for LBBW's certificates business will head the newly established financial markets Apac department from 1 September.

Krüger has been working for LBBW in Germany since 1991, and since 2000 in various leading positions in the capital markets business on both the trading and sales side.

Since 2016, he has been in charge of trading and risk management for equities and equity derivatives, with a focus on the bank's certificates business, as well as product management. In addition, Krüger is voluntarily involved as a member of the board of the German Derivatives Association (DDV).

Krüger's current position in Stuttgart will be temporarily taken over by Dr. Thilo Rossberg in parallel to his duties as head of the FICC markets department until the succession is permanently arranged.

Being present for its clients internationally with a broad variety of products and expertise has become increasingly important to LBBW, which has been expanding this business segment for several years as part of its Asia strategy.

'We are pleased that we have been able to win a top executive from our own ranks with more than 25 years of capital market experience to support our growth in Asia,' said Dr. Christian Ricken, LBBW member of the board of directors, responsible for the capital markets business, asset management and international business.

Jens Rübbert, Apac head of LBBW added: 'The reorganisation of LBBW's financial markets business in Singapore with Jan Krüger in the lead is an important milestone to further strengthening and expanding our regional financial markets strategy.'

Nomura hires EQD trading heads from US banks

The Japanese bank on 2 August revealed six management appointments across its Apac equity derivatives (EQD) trading, including three new joiners from US banks.

The appointments were announced by **Arnaud Lannic** (pictured), head of equity products, Asia ex-Japan, based in Hong Kong SAR and Tsukasa Honda, head of equity trading, Japan, according to an internal memo seen by SRP.

The new additions are Tomiyuki Oji, Vikas Kumar, Sachin Tulshyan, Ryoichi Irisawa, Dinesh Gurnani and Haruno Tani.

Tomiyuki Oji joins as head of index flow derivatives trading, Asia Pacific (Apac) from Goldman Sachs where he managed Apac single stock and index derivatives trading. Oji reports to Lannic for Asia ex-Japan and Honda for Japan.

Vikas Kumar is named as head of equity derivatives trading, Asia ex-Japan. Most recently, he worked for Bank of America (BoFA) in London where he led exotics trading across Europe and Asia. Kumar reports to Lannic, who joined Nomura in May, also from BoFA where he was head of equities client solutions trading, Europe, the Middle East and Africa (Emea) till April 2021.

Kumar was licenced with BoFA from August 2009 to May 2023, according to the UK's Financial Conduct Authority (FCA).

Another new joiner is Sachin Tulshyan, now responsible for India delta one trading, flow index and structured financing, Asia ex-Japan. He is tasked with growing the equity products platform across linear and non-linear structures, and reports to Abhishek Gupta and Kumar.

Previously, Tulshyan worked for Citi where his roles included head of India equity trading and emerging market flow trading as well as head of Apac futures, clearing and foreign exchange prime brokerage. He was based in Singapore from August 2021 to May 2023 after spending14 years in Hong Kong SAR, according to the local regulators' licence records.

In addition, Ryoichi Irisawa has been appointed head of structured derivatives trading, Japan with experience in corporate derivatives trading. He continues to report to Honda.

Dinesh Gurnani is now head of corporate derivatives trading, Apac – an expanded mandate from his previous coverage of Asia ex-Japan. He reports to Ryoichi Irisawa for Japan and Lannic for Asia ex-Japan.

As part of structured EQD trading team, Haruno Tani is named head of equity quantitative investment strategies (QIS) trading, Japan. Tani is responsible for expanding the QIS business by working with the fixed income unit as well as other global stakeholders. She continues to report to Ryoichi Irisawa.

The latest people move in EQD trading follows the recent appointments of John Goff and Rany Moubarak within global markets at Nomura, whose respective roles are senior managing director, global head of structuring, and managing director, head of global markets, the Middle East and Africa. Moubarak reports to Goff.

Goldman appoints head of the third-party wealth business

Goldman Sachs is doubling down on its coverage of the registered investment advisor (RIA) segment in the US despite the sale of its Personal Financial Management unit and the embedding of its consumer finance platform Marcus into the unified asset and wealth management division.

Through our suite of products across GBM and AWM [...] we have an unparalleled solution set to help RIAs run and grow their businesses

The US bank has appointed **Adam Siegler** (pictured), head of the third-party wealth business, Americas, within the global banking and markets division to lead the One Goldman Sachs Registered Investment Advisor strategy, an initiative to bring its capabilities across divisions to the US RIA market, according to an internal memo seen by SRP.

Siegler was made managing director in 2019 and took responsibility of the bank's Private Investor Products Group (PIPG) in the Americas, which focuses on the pricing, distribution, origination and trading of securitised derivative products across all major asset classes. It is targeted at private banks, retail banks, online brokers and other distributors that provide structured solutions to high net worth or retail investors.

In his expanded role, Siegler will work with teams across global banking & markets (GBM) and asset & wealth management (AWM) to provide an 'integrated and comprehensive approach' to serving its RIA clients.

According to the memo signed by Cyril Goddeeris, global equity financing, co-head of global prime services, and head of global securities lending and synthetic trading; Kevin Kelly, global co-head of prime services; and Padi Raphael Partner, global head of third-party wealth business in Goldman Sachs Asset Management, RIAs are the fastest growing segment in the US wealth management space.

'Through our suite of products across GBM and AWM, inclusive of custody, asset management, capital markets products, and lending and banking solutions, we have an unparalleled solution set to help RIAs run and grow their businesses,' stated the memo.

In addition to his new firmwide responsibilities, Siegler will continue to lead the Americas retail client segment for equities, the PIPG, Goldman Sachs Advisor Solutions (GSAS) and Goldman Sachs Select in GBM.

Siegler joined Goldman Sachs in 2018 as vice president, head of private investor group Americas, and was named managing director in 2019 – he joined Goldman from Barclays Investment Bank where he spent almost 10 years as a director, equity derivatives. He transferred to Barclays in September 2008 following the collapse of Lehman Brothers where Siegler was an associate for almost three years.

BNPP beefs up Americas EQD structuring team, relocates Apac head

Etienne Grisey, managing director and head of global equities structuring, Apac, at BNP Paribas, has been appointed co-head of EQD structuring, Americas, in New York.

The move comes 12 months after Grisey's latest promotion. He relocated to Singapore from Hong Kong SAR in July 2022 to take on his previous role, which sits under the global equities division along with the global macro and the global credit units following the new global markets business structure launched earlier this year.

Prior to that, he served as Apac head of equity derivatives structuring at the French bank with responsibility for equity derivatives structuring and quantitative investment strategies (QIS) structuring for institutions in Asia ex-Japan.

Before moving to Singapore, Grisey (pictured) spent 13 years in Hong Kong SAR as head of equity derivatives structuring, Asia Pacific. He also spent two years in Japan at the bank's equity derivatives structuring team after a four-year stint in equity derivatives pricing, in New York.

Grisey joined BNP Paribas in 2002 as an equity derivatives quant researcher in Sydney before he moved to New York as an equity derivatives trader covering Latin America.

SRP has learned that Frederic Cosmao will replace Grisey as head of equity structuring, Apac, based in Tokyo. Cosmao has held different senior roles in equity derivatives and QIS structuring across the region, including leading the team in Japan successfully for the past five years.

Based in Hong Kong SAR, Cosmao has been charged with growing BNP Paribas' private banking & distribution and institutional solutions businesses in the Apac region.

In his new role, he reports to HK-based Vincent Desmarest, head of global equities, Apac, and Hamzah Kahloon, head of global markets structuring, Apac. Globally, Cosmao reports to Azad Mahavar, global head of equity derivatives structuring.

Cosmao has also spent over 20 years at BNP Paribas. He started at the bank's mutual funds trading and structuring team in Paris before he moved to the systematic strategies group for Global Equity & Commodity Derivatives (GECD), also in Paris.

In this role, he was in charge of the entire production chain for all the volatility-related strategies, from algorithm design to performance reporting.

Cosmao also spent time in various structuring and trading positions in Paris, Hong Kong SAR and New York.

Natixis reinforces Latam sales

Natixis has hired **Gerardo Gomez**, **Andres Bachor**, and **Guillermo Diez** to the LatAm Sales team to 'expand its emerging markets and Latin America platforms to diversify offerings for clients worldwide'.

The new hires will join Jorge Segui and Thomas Maslowski to round out the French bank's New York-based team, and report to Gregory Fage, head of macro sales Americas.

The new hires will join Jorge Segui and Thomas Maslowski to round out the French bank's New York-based team, and report to Gregory Fage, head of macro sales Americas.

Gomez has experience in global markets with a focus on fixed income and derivatives. He joins from BBVA South America, where he was head of corporate derivatives coverage for Brazil and Chile and oversaw project finance derivatives for South America.

Bachor joins from BBVA Securities, where he was part of the LatAm sales team responsible for the development and distribution of credit, FX and rate products in the region. Prior to that, he served in the emerging and global markets divisions at

Deutsche Bank, Nomura, Barclays as well as Banco Galicia based in Buenos Aires.

Diez joined Natixis in 2021 in the institutional & corporate FX & cross assets derivatives sales team in Madrid, and was also previously part of global corporate coverage and LatAm FX, rates & credit sales for Deutsche Bank and Santander respectively.

The LatAm Sales team will focus on enhancing client activity overall under the global emerging markets platform.

HSBC poaches DB regional CEO to head Apac global private banking

In Asia Pacific (Apac), **Lok Yim** (pictured) will become HSBC's regional head of global private banking on a designate basis on 1 November and will formally start on 1 January 2024. He joins from Deutsche Bank and succeeds Siew Meng Tan, who is retiring after an almost 40-year career in banking. Tan has been in the role for seven years during her 20 years at HSBC.

Yim will continue to be based in Hong Kong SAR and report to Annabel Spring, CEO, global private banking and wealth, on a functional basis, and Kai Zhang, head of wealth and personal banking, South Asia on an entity basis.

During his 16 years at Deutsche Bank, Yim most recently as CEO, Hong Kong SAR, having spearheaded the bank's wealth management and international private banking franchises in Asia and emerging markets. He had also held senior roles at Citi.

HSBC names US head of wealth and personal banking

Effective from December, **Racquel Oden** (pictured) will join HSBC as head of wealth and personal banking (WPB) from J.P. Morgan. She will be responsible for overseeing the bank's wealth management, global private banking and retail businesses in the US.

Based in New York, Oden will report to Michael Roberts, CEO, US and Americas, and Juan Parma, head of wealth and personal banking Americas.

At J.P. Morgan, she most recently served as head of network expansion for consumer banking after leading national sales and the Northeast division for both consumer banking and wealth management. Previously, Oden held various roles at Merrill Lynch including head of advisor strategy, head of global product strategy and market executive for the New York fifth avenue market, which serves high-net-worth individuals and institutions. She had also spent 10 years at UBS after kicking off her career at Morgan Stanley in equity trading.

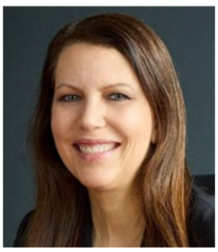
SIX appoints global head from Nasdaq

The Swiss exchange has appointed **Bjørn Sibbern** (pictured) as global head exchanges and member of the executive board of SIX, effective from 1 January 2024. Sibbern is currently serving as executive vice president and president of European markets at Nasdaq and will replace Christoph Landis, who has headed up the exchange business of SIX on an interim basis since February. Landis will return to his previous role as head IT and member of the SIX executive board.

Bjørn Sibbern will head up the exchange business at SIX as a member of the SIX Executive Board (ExB) from 1 January 2024. He has spent 20 years in the global exchange arena, specialising in trading, funds, post-trade, listings, IPOs, data, indices and technology. He will be responsible for both the Swiss and Spanish exchanges at SIX, as well as the digital exchange SDX.

Previously, Sibbern was executive vice president for Nasdaq's global information services (GIS), based in New York City, after leading Nasdaq's global commodities business and served as president of the Nasdaq Copenhagen Exchange. Prior to that, he managed Nasdaq's Nordic cash equities and derivatives markets.

Wells Fargo appoints head of equity capital markets



Jill Ford (pictured) has joined Well Fargo's corporate & investment bank as head of equity capital markets. She reports to Tim O'Hara, head of banking, based in New York.

With 30 years of investment banking experience, Ford was most recently co head of equity capital markets Americas after working for Credit Suisse as head of the ECM Americas Syndicate. At Credit Suisse, she also co chaired the equity valuation committee and sat on the investment banking & capital markets (IBCM) global operating committee. Jill was head of the Credit Suisse Americas Women's Network for six years and served on the firm's corporate insights advisory council, global ESG steering committee and the IB ESG strategic initiatives forum. Additionally, she had held debt capital markets and M&A investment banking roles across UBS, Montgomery Securities and First Boston.

DB appoints former CS executive as head of Swiss structured solution sales

Deutsche Bank has made a recent senior hire within its investment bank in Switzerland. As of December 1, **Michael Vonmoos** (pictured) will join the bank in Zurich as managing director and head of structured solutions sales Switzerland. In this role, Vonmoos will report to Leonardo Doser, who has led the bank's markets distribution Switzerland for almost three years. Vonmoos has more than 16 years of experience in derivatives and structured products, most recently as head of structured products & institutional solutions sales Switzerland at Credit Suisse. He also currently serves as board member of the Swiss Structured Products Association (SSPA).

"With this hire, Deutsche Bank continues to strengthen its Markets business in Switzerland," stated the bank.

The appointment is part of the bank's push on the DCM/ Syndicate side, with the hiring of Rosario Clemente and other DCM/Syndicate professionals. Deutsche Bank will onboard further new joiners on the rates side by December.

'This strategic hire marks a significant milestone in our expansion strategy and reaffirms our commitment to the Swiss market,' said Doser.

Premialab adds new role

Alan Shannon (pictured) has joined Premialab, a fintech platform specialising in quantitative investment strategies, as its head of technology solutions, a newly-created role as the firm is expanding its product reach, a spokesperson told SRP.

Based in London, Shannon joined from the capital markets consultancy firm First Derivatives, where he held the position of head of EMEA consulting. Previously, he served as senior delivery manager at Morgan Stanley and project manager at RBC Capital Markets and UBS. In his new role, Shannon reports directly to Adrien Geliot, the firm's co-founder and CEO.

'[Shannon's] extensive expertise in capital markets and trading technologies, coupled with his deep understanding of institutional investors' needs, will allow us [to] deliver enhanced value from our unique data and analytics,' Geliot said in an earlier statement.

Shannon will be responsible for implementing and scaling Premialab's new technology and execution initiatives, providing unique data, analytics, and execution solutions to institutional investors globally.

The fintech company has hired several senior executive roles within the banking industry, including Daniel Fields, senior advisor for Americas, who served as the former global head of markets at Société Générale; and Georgios Sittas, managing director, head of risk solutions, who worked as the managing director at HSBC, Standard Chartered and previously director at Lehman Brothers.

Credit Suisse EQD exodus continues

Roberto Rosas (pictured) has joined Barclays as director, head of structured product sales for Latin America (Latam). Based in New York, Rosas reports to Shikha Jindal, managing director, head of structured product distribution for private banks and Latam, SRP has learnt.

His registration with Barclays Capital went effective from 31 July, according to Finra's BrokerCheck.

Rosas joins the UK bank from Credit Suisse in New York where he spent almost five years in the bank's equity derivatives and investor product sales team. He was promoted to director from vice president in December 2021. Prior to that, Rosas was an associate, multi-asset structured products and derivatives sales for Latam, also based in New York.

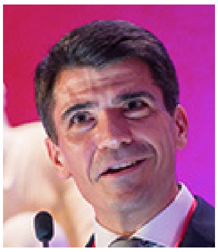
In addition, Mandy Xu has joined US derivatives and securities exchange Cboe Global Markets as vice president, head of derivatives market Intelligence, based in New York.

Most recently, Xu was managing director, head of equity derivatives strategy at CS, specialising in index and ETF volatility research.

In her new role, she will be responsible for producing 'high-level insights and analysis on derivatives market themes and flows, with a focus on furthering client education on Cboe's markets and its leading suite of derivatives products', stated Cboe.

Xu spent 13 years at CS. Prior to joining the Swiss bank she worked as a cross-border M&A analyst at E.J. McKay, a boutique investment bank in Shanghai.

BBVA boosts credit markets team



The Spanish bank has appointed **Juan Blasco** (pictured) as the new head of the global credit markets unit to replace Regina Gil, who has moved to lead BBVA CIB's division in the US.

'In recent years, BBVA CIB has registered a substantial increase in the volume of issuances and trading in bond markets, as well as greater requirements for excellence in the execution and customization of solutions,' stated the bank in a release.

Since 2016, Blasco has been the head of global syndicate and leveraged finance Emea at BBVA, previously leading different teams in the global credit markets value chain.

The credit business strategy will be reinforced by strengthening existing capabilities in developed markets; expanding the emerging markets portfolio with products from new markets; and developing a new area of tailor-made credit solutions for its clients (credit solutions), together with the investment banking & finance unit.

HKEX names head of listed issuer regulation

Hong Kong Exchanges and Clearing (HKEX) has appointed **Catherine Yien** (pictured) as the new managing director, head of listed issuer regulation in the listing division.

Yien, who joined on 1 September, succeeds Christine Kan, who will be retiring from the group after 27 years of service. The two executives will 'work together to ensure a smooth transition' before Kan retires on 31 December, according to HKEX's announcement.

Yien joins HKEX from Rothschild & Co, where she has worked for nearly 28 years and served in various roles, including director and chief operating officer and compliance officer. Most recently, she was the managing director of the firm's global advisory team.

In her new role at HKEX, Yien will lead the team responsible for the frontline regulation of over 2,600 listed issuers in Hong Kong, supporting issuer understanding and compliance with the listing rules and working with directors and senior executives across the issuer space.

Yien will officially assume the role on 1 January 2024 and report to Katherine Ng, head of listing at HKEX.

FTSE Russell names head of index sales, Asean & South Asia

Matthew Henshaw (pictured) has been tapped to lead the index sales for Association of Southeast Asian Nations (Asean) and South Asia at FTSE Russell. He will continue to be based in Singapore, reporting to Rick Chau, head of index and analytics sales for Apac at FTSE Russell, SRP has confirmed.

Chau returned to the index provider in March from Qontigo where he was managing director, sales head for Asia Pacific (Apac). He had a two-year stint at FTSE in Hong Kong SAR before moving to STOXX in 2017. Previously, he was head of exchanges, Asia Pacific & head of index coverage, Hong Kong (sell side/hedge funds) & Taiwan, at MSCI, since 2010. His role at Qontigo has been filled by Charlene Low.

In his new role, Henshaw is responsible for developing index solutions with the local pension schemes, asset managers, banks and hedge funds in the region. He works closely with the local asset management and banking community to design and launch strategic Index initiatives across FTSE Russell's full suite of asset classes.

Most recently, Henshaw was senior manager, business development after relocating to Singapore from London in January 2022. In London, he became co-head of sales for UK and Ireland in January 2020 after covering the whole European market.

Citi taps markets veteran to lead Apac commercial bank

Effective from 1 September, **Gunjan Kalra** (pictured) will become Apac head of commercial bank at Citi, and report to Tasnim Ghiawadwala, global head of commercial bank, and Peter Babej, Apac CEO at Citi, according to an announcement from Citi.

Currently Kalra is managing director, Apac head of corporate sales & solutions at the US bank's markets division where she leads the delivery of markets products to corporate and commercial banking clients in the region that covers 11 markets.

Kalra has spent 21 years at Citi where she started in the investment banking division in New York before moving to the commercial banking unit in Singapore in October 2018, according to her registration records with local regulators. Kalra will continue to be based in Singapore.

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