

SSPA Newsletter October 2017



SSPA intensifies efforts to include structured products in pension funds

Useful information about the benefits and efficient deployment of structured products remains high on the agenda for the work of the Association. And this not just by setting technological industry standards, as we successfully did with the launch of the "SP Portfolio Optimizer", which the Association has developed further and added new feature. But also in the field of regulatory changes in Switzerland. The Association therefore holds talks with regulators, and contributes actively to the discussion concerning FIDLEG and FINIG.



The industry has also been focusing on MiFID II. Dedicated chat platforms and working groups are discussing critical aspects and providing guidance. The pension fund initiative has also made good progress. "Structured products and pension funds" was the motto of the annual get-together of the Swiss and international structured products scene staged at the beginning of September in Lucerne. Situation analysis: pension funds use a shockingly low number of structured products, despite the fact that more would be possible from a legal perspective. The fact is that key decision-makers often lack the necessary knowledge. The SSPA engages in regular exchanges with the OAK, and is looking to raise awareness within the relevant professional bodies. The input developed in Lucerne will support this objective.

Now with 34 members, the Association is successively expanding its base not just in German-speaking Switzerland, French-speaking Switzerland and Italian-speaking Switzerland. The Committee has also acquired a new member on the buy-side. This means that our eight buy-side members also have a voice at Committee level. In this conjunction, we welcome the Committee members Sylveline Besson, CA Indosuez (buy-side) as well as Valentin Vonder Mühll, Julius Baer (issuer) and David Schmid, Leonteq (issuer), who were newly elected at the meeting of delegates. You will find further structured product news in the current Newsletter.

Georg von Wattenwyl, SSPA Chairman

International Structured Products Forum Lucerne 2017 – "The Swiss Pension Fund System – Challenging the Investment Industry"

90 participants from Switzerland and abroad used the traditional industry meeting at the beginning of September in Lucerne for "food for thought" in the challenging political and regulatory market environment. Dr Michael Loretan, Head of the Asset Management Division at FINMA threw light on this in his keynote speech, identifying the Swiss government's milestones, and recapping the discussions in parliament on the final implementation of the FIDLEG, FINIG and FinfraG statutory instruments.

Structured products and pension funds – further education needed



The panel discussion on the topic of Swiss retirement provisioning was introduced by Dr Peter Grünenfelder, Director of Avenir Suisse: previous reforms did not go far enough. In his view, economies of scale and the freedom to pick and choose pension funds to make the system more efficient are game changers. The meeting was chaired by "Finanz und Wirtschaft" journalist Philippe Béguelin. There was

heated debate amongst the panellists Dr David S. Gerber, Head of Financial Market Policy at the State Secretariat for International Financial Matters (SIF), Prof Dr Maurice Pedergnana, Professor at the HSLU and Chief Economist at Zugerberg Finanz, as well as Nicolas Walon, Head of Financial Engineering at Bank J. Safra Sarasin. Conclusion: there is great need for reform on the regulatory side, as well as in respect of the provision of knowledge and information. The necessary know-how is often lacking in particular amongst the ranks of board of trustee members of Swiss pension funds, who play a key role. This means they fail to actively include structured products in their asset diversification and risk management perspectives within portfolios.

Untapped investment potential at pension funds

Current regulatory challenges were discussed from a national and international perspective in the legal workshop, chaired by Daniel Häberli, Head of Legal & Regulations at the SSPA. In the afternoon, Nicolas Walon highlighted the investment process in a pension fund. Thanks to his work on the Investment Committee of the Pension Fund of Bank J. Safra Sarasin, he was able to provide interesting insights into how pension funds work. In summary: "More is possible than has been implemented to date by most pension funds." This potential is to be used by raising the profile of structured products, providing knowledge and information, and by easing the regulatory hurdles. The participants also provided many thought-provoking ideas.



"Across the border" Thomas Wulf, General Secretary of EUSIPA, threw light inter alia on the current debate concerning Brexit and European product regulation. Belgian impressions were provided by Gilles Staquet, Chairman of the Board of Directors at BELSIPA. He presented the market, and explained how decisions taken by the Belgian regulator often challenged the financial industry.

Next September will see another "International Structured Products Forum". Details will be made available at the appropriate time. At any rate, 5 & 6 September 2018 should be noted in your diaries.

"SP Portfolio Optimizer" Volume 2 – new features for the app

At the start of the year, the SSPA launched the "SP Portfolio Optimizer" – an app that outlines the portfolio benefits of structured products on behalf of investors and client advisors. The Association has now followed this up, and has extended the functions of the app to highlight the specific benefits of adding structured products even more clearly for investment advisors, asset managers and private investors.



The "SP Portfolio Optimizer" underscores the huge potential of the systematic use of structured products in portfolios. Structured products can be added to the personal portfolio, and this change has a stimulating effect. Further development means the app is tailored even more effectively to the needs of particular target groups: filmed use cases for participation products, yield optimisation products and capital protection products have been implemented, illustrating how different products can generate



portfolio benefits. In addition, the portfolio can now also be replicated with individual stocks, facilitating an even more accurate simulation. The app is available for iPad and can be downloaded for free at the App Store. Discover how the "SP Portfolio Optimizer" works in the [current video](#).

Get the free iPad download [here](#).

Update Legal & Regulations

FIDLEG/FINIG

Following the Council of States in December 2016, the National Council has now also approved the two draft laws FIDLEG and FINIG. On 13 September the National Council conducted an exhaustive debate on FIDLEG/FINIG, and approved the two laws. The two laws were rejected in the overall vote, in particular by the Greens and the SP.

The SSPA contributed actively to WAK-N with specific proposals submitted by various members, and together with further industry associations supports the approach taken by FIDLEG and FINIG in the WAK-N version. WAK-N establishes a good compromise for sustainable and acceptable investor protection.

There are a number of key differences between the National Council and the Council of States, which now need to be settled. The proposal is now being returned to the Council of States, to enable differences to be ironed out. The Council of States will examine the proposal during the 2017 winter session. The final vote on FIDLEG/FINIG is scheduled to take place during the 2018 spring session. It is expected to come into force on 1 January 2019 at the earliest.

The SSPA will continue to contribute actively towards the legislative process, not merely within the context of settling outstanding differences, but also in respect of drawing up the execution ordinance FIDLEV. The Association has paid particular attention to the key information document. Requirements pertaining to the content, scope, structure and language of the key information document are set out

in FIDLEV, and it is crucial that we agree on a solution here that is appropriate for Switzerland. Integral adoption of the PRIIPs regulation cannot be the solution for Switzerland, not least because use of the PRIIP KIDs as an equivalent non-domestic document is anyway established in the FIDLEG.

PRIIPs & MiFID II

The EU PRIIPs Ordinance – and with it the introduction of uniform key information sheets for products (so-called "KID") – and the Financial Market Directive MiFID II – and with it the introduction of product governance and in particular a target market concept, along with cost and inducement transparency – are set to come into force in a few months. SSPA members are working hard to prepare for these changes. There are still a large number of detailed questions and a need to coordinate the technical implementation of certain regulatory provisions. The Association supports its members by discussing these topics within the framework of working groups, and by searching for pragmatic solutions. A topical issue addressed by the Association is the target market provision. A solution is being developed with the involvement of SIX Connexor and SIX FI in the "Standards" working group. This will enable issuers to define a specific target market for each product with sufficient detail, and to make this information available to financial services providers.

EU benchmark regulation

In addition to the PRIIPs regulation and MiFID II, with effect from 1 January 2018 the "EU Benchmark Regulation" (abbreviation: BMR) will also have to be fully implemented.

The BMR relates to indices that are used by financial instruments as reference parameters. Investors are to be better protected by making the capital market more transparent and stable, thereby boosting investor confidence in the capital market.

Primarily affected are administrators domiciled within the European Union which provide or prepare the benchmarks. The Benchmark Regulation will, however, have an impact beyond the European Union. If an index or benchmark is calculated in a third-party state, i.e. for example in Switzerland, then both the benchmark as well as the administrator will need to be entered in a special register, in order to actually enable the benchmark to be used in the EU for financial products. The ESMA may decide that the legal framework and supervisory practice in a third-party state is sufficient, and that it is consequently not necessary to check every index and provider separately. While this regulation is not as central as MiFID II, Swiss issuers nevertheless need to be aware of this topic.

Sylveline Besson and David Schmid new SSPA Committee members – Valentin Vonder Mühl confirmed in office

At the delegates' meeting on 28 September the SSPA delegates elected Sylveline Besson (CA Indosuez Wealth Management) to the newly-created position of buy-side representative. David Schmid (Leonteq) was elected as successor to Jan Schoch (Leonteq) on the SSPA Committee. Valentin Vonder Mühl (Julius Baer) was confirmed by delegates as the successor to Philipp Rickenbacher on the SSPA Committee.



Thanks to her long-standing involvement in the structured products business, the buy-side Committee member Sylveline Besson has wide-ranging knowledge of this sector. This has enabled her to gather experience in a number of countries and positions, and to contribute actively towards the development of the sector. Before working for CA Indosuez, she was employed by Société Générale in France. On the issuer side, the new Committee



member David Schmid brings extensive expertise and wide-ranging experience of the entire issue process. Before heading the Investment & Banking Solutions Division at Leonteq, he built up Leonteq's Asia business. The confirmed Committee member Valentin Vonder Mühl has worked in the structured products field at Bank Julius Baer since 1994, and has first-hand experience of the development of structured products in Switzerland.

With the three new Committee members, the SSPA Committee has acquired highly-qualified and recognised experts for structured products. Thanks to their extensive and wide-ranging experience, they will lend the work of the Committee new momentum, will help boost the acceptance of structured products and will support the expansion of our presence in French-speaking Switzerland as well as on the buy side.

With effect from 1 October 2017, the members of the SSPA Committee are as follows: Georg von Wattenwyl (Chairman, Bank Vontobel), Thomas Schmidlin (Credit Suisse), Adrian Steinherr (UBS), Valentin Vonder Mühl (Julius Baer), Sylveline Besson (CA Indosuez Wealth Management) and David Schmid (Leonteq).

Two new members join the industry association

The admission of two new members means the SSPA now has a total of 34 members. With the accession of UBP, the Association has expanded its buy side to eight members, and has strengthened its presence in French-speaking Switzerland. In addition, the accession of PwC Switzerland represents a further strengthening of the Association's international consultancy expertise.



Giuseppe Caltabiano, Global Head Structured Products at UBP: "We wish to offer our clients tailored investment solutions and innovative ideas; structured products can offer added value here, while generating returns in a challenging environment. As a Swiss private bank, we want to make an active contribution to the strong operating conditions and successful further development of the sector – our SSPA membership underscores this commitment."

Roman Schnider, Structured Products Specialist and Director at PwC Switzerland: "PwC aims to boost confidence in the business, and to help solve key problems. We want the sector to benefit from our worldwide network and local know-how within the context of its future further development. Our Association membership offers us an excellent platform with which to exchange ideas and to develop innovations."



Finanz'2018 – Focus on institutional investors with new location

At the beginning of February 2018, the biggest Swiss financial fair will be opening its doors for the 20th time – and will be celebrating this with an anniversary trade fair. The focus has shifted exclusively to professional investors. On account of the three-year refurbishment of Zurich's Kongresshaus, they will be able to inform themselves about innovative investment opportunities in a challenging environment between 31 January and 1 February 2018 at the Eventhalle StageOne in Zurich Oerlikon. Programme details will be announced at a later date. At any rate, don't forget to enter the date in your diaries.