

## SSPA Newsletter July 2019



### Committee changes — SSPA continues to broaden its membership base

The first six months of the year passed in a whirl — and no wonder; a great deal is happening on global political and European stages at the moment — and there is also a lot going on in our sector and our Association. The Swiss Financial Services Act (“FIDLEG”) will be coming into force very soon. This will impact industry operators across the board. The current Newsletter contains further information about this Critical FIDLEG phase. It also addresses the topic of actively managed certificates, known as AMC, which are experiencing increasing demand from investors.



In addition, the SSPA is also enjoying a steadily expanding membership base, has been participating in further events for the first time, and has seen some key personnel changes. In July, a familiar face rejoined the SSPA Committee. She is Irene Brunner, from BNP Paribas. This took place after Vice Chairman Thomas Schmidlin decided in the spring to take up a new career opportunity. We greatly valued Thomas’ contributions to the work of the Association. With his tremendous commitment and dedication, he helped raise acceptance of our products and services. We are also very pleased that Irene will now be able to contribute her almost 20 years of international experience on the issuer side to the work of the Association.

In this update we provide you with a review of our traditional InfoTalk, our first SSPA women-only event and our first presence and active panel organisation at the second Zurich Stock Exchange Day for retail investors. And we also describe what Association activities you will be able to look forward to over the coming months. We are actively involved in planning for the International Structured Products Forum in Lucerne in September — celebration time, because this 10-year-old wants to be properly lauded — as well as the second F&W Forum on Structured Products.

We hope you enjoy reading this issue, wish you a relaxed summer and are looking forward to seeing you again in the autumn!

Georg von Wattenwyl, SSPA Chairman

## Irene Brunner new SSPA Committee member

The Committee of the SSPA has elected Irene Brunner, BNP Paribas to succeed Thomas Schmidlin on the SSPA Committee with effect from 1 July 2019. Irene Brunner brings wide-ranging international sector and association experience with her to the SSPA. Thomas Schmidlin, who is now stepping down, worked hard over the past five years as a Committee member and Deputy Chairman to boost the acceptance and understanding of structured products.



As Head of Exchange Traded Solutions Switzerland at BNP Paribas since 2018, Irene Brunner has been responsible for the sales and marketing of structured retail products in Switzerland. Prior to this she collected experience of structured products over many years, inter alia as Managing Director at Royal Bank of Scotland and at Deutsche Bank. Irene Brunner is Chair of the Categorisation Committee at the European Structured Investment Products Association (EUSIPA), Member of the Commission for Structure Products (KSP) of SIX Swiss Exchange and was previously a member of the SSPA Committee from 2011 to 2012.

The members of the SSPA Committee as at 1 July 2019 are Georg von Wattenwyl (Chairman, Bank Vontobel), Adrian Steinherr (UBS), Valentin Vonder Mühl (Pictet), Sylveline Besson (CA Indosuez Wealth Management), David Schmid (Leonteq) and Irene Brunner (BNP Paribas).

## New members expand the industry association

The inclusion of the broker CAT Financial Products in March, the buy side representative EFG in May along with the broker AIS Financial Group as well as Valeur Group in July means that the SSPA had grown to comprise 43 members in July.

Giuliano Glocker, CEO and founder of CAT Financial Products AG, spoke about the membership of the SSPA as follows: “We are looking forward to working together with the members of the Association to help shape the structured products industry. As an independent service provider, our goal is to create the best investment products and services for our clients and their investors through bespoke investment solutions and innovative technologies, and to drive the industry as a whole forward.”



Maurizio Moranzoni, Head of Global Markets at EFG International, on its membership of the SSPA: “EFG strives to cover all the needs of our clients with targeted solutions. Structured products play an important role in this conjunction.

They give us the necessary flexibility to make the adjustments that are needed to achieved defined goals. This makes them an important component in our armoury of value-adding solutions for our clients. For this reason we are delighted to be actively involved in the further development and shaping of this industry in Switzerland.”

Samir Lakkis, Partner and Founder of AIS, declared: “As an established part of the structured products industry, we want to use our SSPA membership to contribute towards its continued development, while influencing relevant topics with the support of the Association.”





Alessandro Noceti, Head of Trading and Sales at Valeur, is also pleased about the opportunity to help shape the industry: “As a global brokerage business with a strong presence in Switzerland and extensive experience in the field of structured investment solutions, we are keen to play an active role in the development of the Swiss market for structured products. By joining the SSPA we will be able to make an even more effective contribution to industry topics.”

### Summer InfoTalk – “Digital Insights into SIX Digital Exchange”

“Digital” was the key word at the summer InfoTalk, which provided structured product fans with insights and information about SIX Digital Exchange as well as corporate news in the form of new members and a new Committee member in tropical temperatures. Following a brief update from Chairman Georg von Wattenwyl, Patrick Stettler, Senior Sales Manager at SIX Digital Exchange, guided the listening structured product experts across the bridge between traditional financial services and digital services, and provided exclusive insights behind the scenes of the SIX Digital Exchange. With last year’s launch, SIX created the world’s first platform for the issue, trading, settlement and custody of digital assets. Six aims to establish standards that are comparable to today’s regulations to ensure the sustainable establishment of the new digital ecosystem. Following the digital excursion, active networking and lively conversations continued with cool drinks in the Almodobar.



## First SSPA Women Workshop “Role Models and Core Values”

As the industry thought leader, the Association also plays a leading role in diversity and inclusion and offered its female members and stakeholders who are active in the structured products industry the first breakfast workshop on the topic of “Role Models and Core Values”. Birgit Troschel, Coach and Partner at Stettler Consulting, supplied inspiring input and food for thought about how female – although also male – role models can provide important impulses for establishing one’s own (leadership) style and defining lived values in what is still very much a male-dominated industry. Experiences and anecdotes were actively exchanged, role models discussed and networking was expanded with dedicated women in the structured products industry.



## Review of Zurich Stock Exchange Day

“Summertime and the livin’ is easy” - at least as far as the participation of the structured products association at Stock Exchange Day in Zurich is concerned. The second *Zurich Stock Exchange Day* retail investor trade fair took place at the World Trade Center – for the first time with a SSPA stand and SSPA representatives – who provided information on the use and function of structured products in a number of panel discussions.



The Zurich Stock Exchange Day lecture programme offered specialist lecture and information opportunities for every level of knowledge and the most diverse areas of interest. In addition to 22 other exhibitors, the SSPA took part with a dedicated stand, providing leaflets long with expert advice and information in discussions with visitors, while also making active use of the forums – and organised a



panel on “investment opportunities with structured products in volatile markets”. Dominique Böhler, Commerzbank, assessed current trends and attractive opportunities presented by the active use of structured products in portfolios with Irene Brunner, BNP Paribas, and Giuseppe Caltabiano, UBP, in a discussion chaired by the Finanz und Wirtschaft journalist Philippe Béguelin.

## Update Legal & Regulations

### Status FIDLEG/FINIG

*Date on which this is set to come into force, and transitional provisions*

The Swiss Financial Services Act (“FIDLEG”) and the Swiss Financial Institution Act (“FINIG”) are scheduled to come into force on 1 January 2020, some 18 months after they were passed by Parliament in the summer of 2018. This is the assumption, at any rate, according to current information. The corresponding Federal Council resolution is expected to be approved on 6 November 2019. The respective implementation ordinances are set to be published on the same date.

The State Secretariat for International Finance (“SIF”), which drafted the FIDLEG and FINIG ordinances, is expected to publish the final versions of the ordinances as early as September. The ordinances will then be subject to the approval of the Federal Council on 6 November.

It is only at this relatively late stage that we will see what amendments the draft ordinances have undergone as a result of the numerous statements submitted during the consultation process and analysed by the SIF.

Various transitional arrangements establish a phased introduction of the very comprehensive new financial market regulations. In its statement, the SSPA had called, inter alia, for the transitional periods for the prospectus and the basic information sheet to be extended to 24 months. This was in order to give issuers enough time to prepare for the transition to the new FIDLEG regime.

The SIF seems to have taken at least part of the SSPA’s concerns into account by increasing the transitional period for the basic information sheet to 24 months. This will enable simplified prospectuses for structured products to be drawn up and published instead of a basic information sheet for a period of two years after FIDLEG comes into force. As far as the prospectus is concerned, however, the relatively short transitional period of 6 months following FINMA’s approval by an inspection authority remains in place. It is assumed that one or two inspection authorities (SIX Exchange Regulation and BX Regulatory Services) will be approved as at 1 January 2020.

The transitional periods for the codes of conduct are likely to remain twelve months, and no change is expected with regard to the “best execution” obligation, which is set to come into force immediately without a transitional provision.

### *The Financial Services Ordinance (“Finanzdienstleistungsverordnung”)*

It is safe to assume that various clarifications will still be made in the amended wording of the ordinance. In particular, the following changes are to be expected:

- Welcome clarification of the concepts of offer and financial services, in particular to improve the distinction between these separate concepts, enabling suppliers and financial service providers to organise, target and categorise their activities more effectively.
- Greater detail in terms of the code of conduct, in order to ensure that financial service providers are better able to plan their activities and thus improve legal certainty.
- In the field of registration obligations, a broader exception for client advisors of prudentially supervised non-domestic financial service providers, insofar as these provide financial services in Switzerland only to professional or institutional clients.
- Effective clarifications of the law concerning prospectuses, to keep the Swiss capital market competitive – while safeguarding investor protection.

### *The future inspection authorities*

The “Legal & Regulation” working group has met with representatives of the future inspection authorities (SIX Exchange Regulation and BX Regulatory Services) in order to obtain first-hand information about the plans of the future inspection authorities. The two inspection authorities are keen to develop a uniform approach and thus to prevent “levelling down”.

The two future inspection authorities will be coordinating their activities by preparing the various lists that are to be drawn up by the inspection authorities / trading centres under FIDLEG. These include in particular the list of countries and authorities whose approval of prospectuses is recognised in Switzerland (Art. 54 Para. 3 FIDLEG). This means first and foremost prospectuses from the EU and the USA as well as the United Kingdom. In particular, the “retail” prospectuses approved by the competent authorities under these legal systems should be able to be “passport” into Switzerland and, accordingly, be deemed to have been automatically approved here as soon as they have been filed in the English language with an inspection authority.

The criteria used to audit prospectuses has also been coordinated. This concerns in particular checks of coherence and comprehensibility. There is a consensus that current prospectuses essentially fulfil the requirements, and that there should not be a blanket adoption of EU criteria concerning coherence and comprehensibility. These topics were discussed within the context of an “inspection authority” working group organised by SIX and BX, which included the SSPA.

### *The SVSP FIDLEG Q&A*

The “Legal & Regulation” working group has prepared an initial draft of the working document “FIDLEG Q&A”. This will be discussed in August and made available to all SSPA members on the website.

The “FIDLEG Q&A” will be supplemented and updated on an ongoing basis. It is designed to help SSPA members interpret and implement the new regulations.

### *The SSPA sample basic information sheet*

The “Legal & Regulation” working group is developing a model basic information sheet with the aim of standardising the basic information sheet as far as possible. In particular, the sections “What kind of

product is it?” and “What risks do I face and what could I get in return” are to be standardised. The second section deals on the one hand with the risk description and on the other with the presentation of the performance scenarios.

### **Status of AMC principles / recommendations**

Based on principles developed and approved by the Committee, the Legal & Regulation working group has prepared a document containing recommendations for issuers of actively managed certificates (AMCs).

These recommendations establish minimum requirements for the appointment of the person who is to manage the AMC and for transparency with regard to the investment strategy, its implementation and the associated costs. These minimum requirements are considered recommendations for issuers and establish guidelines to protect investors and strengthen the reputation of the industry.

The draft AMC recommendations are currently being discussed and finalised in a sub-working group, before being submitted to the Committee for approval.

## **10<sup>th</sup> International Structured Products Forum 2019 – “Engagement with Wealth Management”, 3/4 September 2019 in Lucerne**

For the tenth time, this year’s traditional industry meeting will take place at the beginning of September in Lucerne. Together with SIX Structured Products Exchange AG, the SSPA is making increasing use of this event as a platform for exchanging opinions and holding discussions for the structured products industry. In addition to general industry trends, the tenth International Structured Products Forum will be focusing on current and future changes, challenges and opportunities, in particular in the field of asset management.

Under this year’s motto “Engagement with Wealth Management”, the former board member and designated CEO of Julius Baer, Philipp Rickenbacher, will be addressing “Insights in Modern Wealth Management and Opportunities for Structured Products” in his keynote speech.



Prof. Dr. Aymo Brunetti, Professor of Business Policy and Regional Economics at the University of Berne, will also be taking the opportunity to mark the tenth anniversary of the Forum together with us. He will be assessing the state of the Swiss financial centre in the current environment - “The Swiss Financial Centre in Challenging Times”.

The “Retail” and “Buy Side” working groups will be organising workshops, a “Lawyer's Update” will provide information on current legal issues at Swiss and international levels and this year the Luxembourg Structured Products Association will be thinking outside the box.

The anniversary event will be rounded off with a gala dinner at Bürgenstock together with a sunset cruise on Lake Lucerne. Further details will be provided. At any rate, the dates 3 and 4 September 2018 need to be entered in your diaries.

## Finance and Business Forum “Structured Products 2019” 19 November



The second Finance and Business Forum on Structured Products will be held at the Gottlieb Duttweiler Institute in Rüschlikon in November. The conference will be discussing key questions relating to structured products, and will take an in-depth look at the latest investment trends. Following last year’s successful launch, we are now building on this success – as an event partner, the SSPA is making a key contribution to the content of this event and invites you to discover on 19 November in person what opportunities you have to optimise your portfolio with structured products. Further information will be provided soon.



### “Expert View” – knowledge transfer & perception central for the industry – Libra and its significance for banks

#### Current overview of the structured products industry by Valentin Vonder Mühl, Pictet

There’s no two ways about it: The launch of the Facebook currency “Libra” represents a frontal attack on the established and sclerotic financial system. The announcement appears to have taken banks as well as public authorities by surprise. However, despite the many outstanding questions, it is safe to assume Libra will develop into a serious alternative or even rival for conventional currencies. This means central banks and regulators also need to address such a scenario and its possible consequences actively.

But how can an internet company seriously compete with the global banking system in one of its most archetypal core competencies? One reason is likely to be the massive flood of regulation that is forcing banks to make huge investments in IT. This is diverting resources away from innovation and towards the need to maintain the existing business and fulfil new requirements – while providing clients with very marginal benefits.

In addition, many banks are continuing to find it difficult to adapt their models to the new circumstances and to gear these increasingly to the needs of the next generation – keyword digitisation. For example, who needs a dense network of branch offices? Innovative technologies have also created entirely new opportunities in the fields of credit brokerage and payment transactions. Time is not on the side of banks that have failed to realign themselves strategically.

Moreover, fintech enterprises and internet corporations do not have to maintain IT infrastructures that have developed over time and are often outdated. Thanks to their innovative platforms, they have global access to billions of customers, know their preferences and are able to tailor their services to the individual requirements of users. The challenges facing established banks are enormous. Companies such as Facebook, Google and Amazon have decisive competitive advantages: They are able to settle transactions, faster, more efficiently and therefore at significantly lower prices (for example, the Libra platform will be able to settle around 1,000 transactions per second at the time of its launch). With considerable investment capital at their disposal, they are able to invest huge sums in new technologies and continuously increase their market lead over banks.

## **Structured products industry as the white hope of banks**

Within the banking sector, derivatives and structured products have always been a driver of innovation and technical progress. Dependent on innovative technology since the very outset, this has steadily resulted in automation and benefits of scale along the entire value chain. The industry was quick to understand that technology would play a strategic role in the market and that innovation can create consistent customer benefits. In order to do justice to the momentum of developments, though, the corresponding IT specialists had to be separated from the often rather cumbersome, sluggish and bureaucratic in-house IT departments of banks. In smaller, more flexible teams, located directly in the operating business, specialists are able to respond quickly to new trends and circumstances thanks to their agile development methodology. Due to the high value added generated by structured products activities, the necessary investment can usually be financed relatively quickly through corresponding additional revenues.

This means banks are well-advised to take these recent developments seriously – because Libra is just the beginning. For this reason, a whole new mindset is required. Only those who are able to adapt their own business model and align this with the future will be able to exploit opportunities. Banks will need to give even greater strategic importance to the topic of “technology” in future – and think about how they can attract even more top IT talent. The structured products industry can be seen as something of a role model in this regard. Perhaps it is no accident a former Committee member was recently appointed CEO of an established private bank.