

Structured products innovate despite the difficult environment for success



The structured product industry started in 2015 with turbulence, but this also brought new opportunities. In early January the SNB came out with its unexpected decision to abolish the euro minimum exchange rate; and negative interest rates did the rest. But the waves of high volatility didn't just hit investors, businesses and analysts; as the structured products market was also put into turmoil. Although these were far from ideal conditions, the issuers of structured products showed innovative flair: New structured products were issued in response to the turmoil, so as to be able to provide investors with even greater protection in the future – simply, this was a “lesson learned”. So in the present deep negative interest conditions, more than ever, structured products provide an interesting investment choice with attractive conditions. With this in mind, the following SSPA newsletter will periodically report on the development and trends in the structured products industry and the efforts of the association.

Simple, understandable and comprehensive knowledge transfer and information provision form the core of the SSPA's association work. Target group orientated information should allow interested parties to pick up on their knowledge and be customised to their needs. This is how awareness & acceptance and the general reputation of the structured products brand should be improved alongside supporting the sale of structured products in Switzerland. The SSPA would also like to put its focus on authorities & economy and use targeted public affairs activities to clear up prejudices and misunderstanding surrounding structured products. By the end of the year, some politicians should know of the SSPA and its purpose. No less ambitiously, the association will strive to recruit new members through active advertising. And further planning includes an extended membership structure composed of issuers, buy-side and partners, who will recognize the SSPA as a “seal of approval” which provides added value.

Opportunities for information and dialogue among experts were offered for the first time at the beginning of February at Finanz'15 - the combined finance fair for funds and structured products following the motto of “Investments of the future”. Through the merger of both previously separate fairs, Finanz'15 will be the biggest exchange and information platform for residents in Switzerland. Successive improvement in transparency is a promising future but also a key concern of the association. All issuers disclose the distribution fees of their products since 1 March 2015, and openly provided details of the included product fees in their sales prices. In this way, as an investor, you will know of any monetary incentives received by distributors for product distribution.

Georg von Wattenwyl, SSPA President

New SSPA factsheet: Structured products at a glance



The SSPA has combined the most important information about structured products in a new quick and compact factsheet. It supplements and expands the readily available palette of information materials available from Leporello, Vademecum and structured product book. Against a backdrop of less trust, but more interest from investors and politicians concerning themselves with the subject during their careers; this is an easy to understand tool, which pools together an overview of relevant information regarding structured products.

Increased transparency by disclosing distribution fees

The Swiss Structured Products Association has set itself the target of improving the transparency of structured products. From 1 March 2015, issuers will proactively join forces by making the significant contribution of rejecting product distribution fees. These are given as a percentage of the issue price and report on the simplified prospectus of the respective products.

The SSPA is committed to the dissemination of information, clarity and transparency of structured products. This includes making costs for investors more transparent. So as of the beginning of March, all issuers will reject distributor fees. These cover all of the fees calculated by the issuer for structured product issuance, including remuneration to partners. To enhance comparability, they will be listed as a percentage of the nominal amount per year, with a holding period of 10 years assumed for products of unlimited duration. The disclosure agreement for products issued from 1 March was adopted by the SSPA together with the Swiss Bankers Association (SBA) in the new "Guidelines on informing investors about structured products", and has been recognized by the Swiss Financial Market Supervisory Authority FINMA as a selfregulatory standard.

At the same time the SSPA is participating in the European Federation EUSIPA on the European debate on cost transparency. The aim is to define a code approved by the regulatory investor authorities, which is friendly and understandable and can be applied Europe-wide. The introduction of a recognized Europe-wide code for the structured products, will make the industry one of the most transparent areas of the financial markets.

The Finanz'15 – a successful prelude



On the 4 and 5 February the first Finanz'15 took place in the Kongresshaus Zürich – the joint financial fair for funds and structured products – thereby becoming the largest exchange and information platform for investors in Switzerland. With 6300 visitors and over 100 exhibitors the new exhibition format attracted a huge following. For the first time institutional and private investors were given the opportunity to talk with experts on a broad range of modern and innovative investment products.

In keeping with the motto "Investments for the future", the fair provided numerous highlights. In addition to the knowledge transfer in presentations, open forums, etc., Finanz'15 also fostered expert dialogue such as debate on current questions and topics. A lively exchange took place between both the professionals and private investors where no one side alone was lectured or informed.

The structured product industry presented itself with the motto "Struckis easy made". Willi Bucher's presentation (Head Structured Products Distribution, Bank Julius Bär & Co. AG), "Structured products: easier than you think" dispelled some of the fears of structured products. And Erich Blattmann (Head of Public Distribution of Financial Products, Bank Vontobel AG) also brought his audience closer specifically to BRC with his presentation asking the question "Barrier Reverse Convertible: The better share?" Panel participants also examined the detail of individual products, so that no Struki question went unanswered. So it was mission accomplished for the Struki industry for this year, but next year's fair is already noted in the agenda. We are looking forward to the participation of even more issuers of structured products next year.

BNP Paribas new SSPA active member

At the beginning of the year the Swiss Structured Products association welcomed BNP Paribas as a new active member. As a result the association now has one of the most important foreign market players among its members.

BNP Paribas, one of the world's leading bank groups present in Switzerland since 1872, is a new active member of the SSPA. With nearly 1,700 employees and four offices in Geneva, Zurich, Basel and Lugano, BNP Paribas (Suisse) SA is one of the leading foreign banks in Switzerland. As part of developing its structured products business, BNP Paribas is strengthening its presence in the Swiss marketplace.

Florian Stasch, Head of Sales and Marketing Exchange Traded Solutions Switzerland: "In November 2014 BNP Paribas SA, through its subsidiaries, assumed market making activities for approximately 1,200 listed structured products and started the issuance of listed structured products. Our SSPA membership underlines our long term commitment for the Swiss structured products market as well as for the Swiss financial centre."

Intensification of public affairs activities

The SSPA would like to intensify its public affairs activities to clear up prejudices and misunderstanding surrounding structured products. By the end of the year important politicians should know of the SSPA and its purpose. In order to intensify public affairs activities, Georg von Wattenwyl and Jan Schoch will lead discussions with selected parliamentarians during the special session of the National Council in early May in Bern, to accelerate the dialogue with major financial politicians.

Structured product forum in Lucerne

The loved and traditional industry meeting will again take place in Lucerne at the beginning of September. This event should be used in new ways, as a further strengthened expression and exchange platform. In consultation and cooperation with the SIX Structured Products organizer, the SSPA will play an active role in shaping the program. Possible solutions to current topics such as "understandability of structured products" and "New Members structure" should also be developed and discussed in workshops. The defined starting points will then be implemented within the framework of the association's work. Program details will be announced at a later date. But do reserve September 2 and 3, 2015, in your calendar.