

## Sector focusing on information, transparency and the dissemination of knowledge



Low interest rates and volatility have characterised the investment universe for some time. Even though these are not ideal operating conditions, issuers of structured products have been consistently demonstrating their innovative strengths. Thus enabling potential investors to invest in a diversified manner even during times such as these. In order to highlight the potential uses of structured products in terms of respective individual investor requirements, SSPA activities focus on the simple and easily understandable promulgation of information and knowledge. Against this backdrop, our new SSPA Newsletter will be reporting periodically on current developments and trends in the structured products sector, as well as on the activities of the association.

Existing information instruments such as the Swiss Derivative Map, the knowledge test for new and experienced investors, the potential proposals and informative videos have recently been supplemented by an interactive information tool. This is designed to make it even easier to enter the world of structured products. The new information tool for knowledge building is very user-friendly, focuses on only three product types, and uses easy-to-understand language to disseminate content – avoiding the typically flowery phrases of financial jargon. Visit the association homepage under [www.sspa-association.ch](http://www.sspa-association.ch) and discover more about investing successfully in different market environments. Within the context of the provision of information and knowledge, the “InvesTalk” roadshow also visited the cities of Berne, Lucerne and Basel for the first time in September. This gave potential investors the opportunity to broaden their financial expertise and to discuss the investment opportunities presented by structured products with high-powered experts.

Another of the association’s central concerns is the successive improvement in the transparency of structured products. From 1 March 2015 onwards structured product issuers will state product distribution fees. Distribution fees include fees structured product issuers include in the issue price, such as compensation paid to distribution partners. Investors will therefore know what monetary incentives distributors receive in return for distributing the respective products.

Many tasks await me within the context of my new function, and I am determined to tackle these with enthusiasm and élan. My aim is to see the structured products sector continue to advance. Within this context I also wish to thank my predecessor Daniel Sandmeier most warmly. The foundations he created through his excellent and long-standing work as President of the SSPA are superb. In this, the first issue of the association’s new Newsletter, he looks back over the development of the sector in recent years.

Georg von Wattenwyl, SSPA President

## **InvesTalk – The structured products roadshow for retail investors in September 2014**



The “InvesTalk” roadshow was held for the first time in the cities of Berne, Lucerne and Basel during the second half of September. This gave potential investors the opportunity to broaden their financial expertise and to discuss the investment opportunities presented by structured products with high-powered experts.

The event programme consisted of an introductory talk on structured products, a contribution from a keynote speaker on the topic of financial markets with a focus on equities, and a presentation on the implementation of equity investments using structured products. In this conjunction, industry representatives drawn from association members showed the many assembled guests how the effective deployment of structured products can create opportunities that have not yet been fully appreciated by many retail investors. In addition to dialogue with participants, the central purpose of the series of events was to disseminate knowledge and information. At the get-togethers organised after the events, guests were able to discuss questions and outstanding issues directly with the speakers. Extensive use was made of these very popular occasions. On account of the extremely positive feedback from guests, the Association is confident that the series of events will attract even greater attention in future. This dialogue will continue to be pursued – including beyond Zurich’s financial centre. Our Newsletter will keep you informed about future events. We are also looking forward to welcoming you at FINANZ’15, the first joint fair for investment funds and structured products (for further information, see below in this Newsletter).

## **Successive improvement in cost transparency for structured products**

The board and the members of the SSPA have decided to improve the cost transparency of structured products still further. From 1 March 2015 onwards, all issuers of structured products will state product distribution fees. The corresponding disclosure obligation has been set out in the new "Guidelines on the Provision of Information to Investors Concerning Structured Products" issued by the SSPA together with the Swiss Bankers Association (SBA). Beginning March 1, 2015, distribution fees as a percentage of the issue price will be stated in all simplified prospectuses. In this conjunction the SSPA will be leaving it to the issuers to provide further cost transparency. Some SSPA members already provide a breakdown of the cost of their products.

Distribution fees include fees structured product issuers include in the issue price, such as compensation paid to distribution partners. The disclosure means investors know precisely what monetary incentives distributors receive for product sales, providing them with an even better understanding of the products and issuers.

In a second phase, the SSPA is planning to introduce a breakdown of the costs in close collaboration with the European umbrella organisation eusipa. European reporting standards are to be drawn up on the basis of today's rates and experience. This will make the structured products industry one of the most transparent in the financial markets.

## Interactive tool for disseminating knowledge



An introduction to the world of structured products is made easy on the association homepage under [www.sspa-association.ch](http://www.sspa-association.ch). Within the framework of its continuous expansion of the toolbox, the SSPA has now launched an interactive information programme.

With structured products, as with any other financial investment, there is a fundamental principle that either the investor himself or his financial advisor should acquire basic knowledge about the topic. Potential investors now have the opportunity, using the interactive information tool, to discover the varied uses of structured products. This is set out in clear and comprehensible terms on the association website. Learn how to make the most of equity market opportunities, while at the same time controlling risks. For the three most common market situations we show you investment solutions with structured products that take account of different investor preferences. These investment solutions are explained in clear terms, drawing upon simple examples.



On the association website [www.sspa-association.ch](http://www.sspa-association.ch) potential investors – newcomers as well as more experienced investors – will be able to find references to further literature on the subject of structured products, as well as information about seminars held in Switzerland. The website also contains a knowledge test for beginners as well as for experienced investors, along with informative videos and potential proposals relating to structured products. This means investors will be able to inform themselves comprehensively about structured products, in a manner commensurate with their existing knowledge.

## **Making innovative investments easier to understand and more accessible for ordinary investors**

In the year 2006 five banks got together and founded the SSPA. This was prompted by the looming statutory amendment (2007 amendment of the Swiss Collective Investment Act) and associated concerns about "excessive regulation" in the field of structured products. Reason enough to set up a dedicated industry association. Eight years and sundry statutory and ordinance amendments later, regulation remains one of the main topics shaping the agenda and the activities of the industry association. In fact today, with "FIDLEG", "FINIG" and "FinfraG", we are looking at the most far-reaching shake-up of the financial market architecture that the Swiss financial sector has ever seen.

What a lot has happened since 2006! The financial crisis of 2007/2008, for example, with the momentous collapse of an issuer. For many years our industry has been wrongly carrying the can for that. The losses were not the result of the packaging as a structured product, but instead the insolvency of the debtor – how often over the intervening years have we patiently explained the facts of the matter? Sometimes people have listened, sometimes not. Yet necessity is the mother of invention. For example, the industry created asset-backed COSI products. This global innovation was created to largely eliminate the issuer risk. The structured products industry has come together on many occasions over the past eight years, and has actively addressed the tabled topics and concerns of its stakeholders.



In the interim, the SSPA has grown to encompass around 20 members. It has established itself amongst its stakeholders as an expert interlocutor, and its views are heard – although we had to fight for this in the early years. The association's proud list of achievements include in particular the Swiss Derivative Map, the harmonisation of product names, the risk parameters and the various measures and instruments for disseminating knowledge (book, informative videos, knowledge test etc.). While there have been pressures to subject structured products to even tougher regulation, or even to prohibit such instruments outright, these pressures have been averted in good time. Standardisation, transparency and ease of understanding have advanced to become some of the most important elements of industry efforts, and have promoted the association's credo – knowledge and competition offer the best investor protection. The association's recently announced voluntary move to disclose distribution fees is another sign of the industry's determination to combat prejudice and

misunderstanding. In addition to the already well-known performance transparency, which is valued by investors, this will also make structured products broadly cost-transparent.

Over the years, the dynamic economic and regulatory environment has forced the structured products industry to innovate on numerous occasions – and this situation is not likely to change any time soon. Thanks to the work of the association, the industry’s efforts have been effectively bundled. It is only if we work together and are united that we will be able to strengthen the foundations of a prosperous future for structured products. I am proud to have been able to contribute towards the development of the association over the past eight years. It has been a very interesting, challenging and at the same time instructive period. I am confident that the association today is well equipped to tackle future challenges, and that the benefits offered by structured products as innovative investment instruments will become even more widely recognised and valued in future.

Daniel Sandmeier, former President SSPA

## FINANZ'15



On 4 and 5 February 2015 "FINANZ'15" will be held for the first time at Kongresshaus Zürich. This, the joint financial fair for investment funds and structured products, will be the largest exchange and information platform for investors in Switzerland.

The new fair format offers institutional and private investors the opportunity, for the first time, to discuss and consider a comprehensive range of state-of-the-art and innovative investment products with experts. We are looking forward to welcoming you at the association's own stand.