



Strong points

Building success in the north and south

Voted house of the year in both the Iberian and Nordic regions, **Commerzbank** discusses its different strategies for each market, and how tightening regulation and continued low interest rates will affect future success there



Helio da Silva Claudio

To what do you attribute your success in achieving your foothold in both the Iberian and Nordic markets?

Commerzbank: The Nordic market is predominantly about strong relationships and trust. Commerzbank has been active in this market for more than 15 years, providing stable client service through both good and challenging times, when many of its competitors have scaled back instead. With increasing regulatory challenges

and continued low interest rates, doing business is not getting any easier, so it is of even greater importance for clients to deal with counterparties they can trust, such as those strong relationships we have built through our long-term service offering in the region and identifying our clients' needs.

Commerzbank has also strongly increased its public profile with its 'BEST Fest' roadshow, which has become the most popular event for exchange-traded products (ETPs) in the Nordics.

The Iberian market has become extremely competitive but, having been active there for many years, Commerzbank has become one of the most important institutions providing solutions and hedging for derivatives structures to banks, asset managers and also retail investors via its engagement in the ETP market segment. This success is based not only on our capabilities to tailor solutions to client needs, but also on our consistency in terms of pricing and generating ideas, plus our efficiency in the post-trade area, as well as being the most competitive issuer of ETPs in the entire Iberian market.

What do you see happening for Commerzbank in these two particular regions in 2017 and beyond?

Commerzbank: The increased regulatory environment is likely to make the Nordics a less crowded space, among both product manufacturers and clients. Only market participants with a primary focus on serving the structured products market will be able to fully succeed.

In Iberia, banks have not yet substantially passed on central bank interest rate cuts to customers, so the end-client has not yet seen a real effect on their wealth. At the same time, given that those rate cuts do not encourage saving, the end-client will continue looking for yield, but taking into account a mix of protection. However, in light of all the current uncertainties, it is likely that the



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low interest-rate environment will remain at this level for some time.

What advantages can structured products give retail and institutional investors during times like this?

Commerzbank: Investors are looking for yield in an environment where achieving yield is increasingly difficult. Many of our investors need to generate yield in order to fulfil their financial commitments, and structured products can facilitate this by offering

a range of risk profiles. We see increased interest among institutional investors in what have previously been considered retail products, for instance, lower-risk autocallables on indexes.

What types of products are thriving in this climate? Has it made principal protected products even more popular?

Commerzbank: Given stretched equity valuation metrics in many developed markets, capital appreciation products have been less in demand, especially as these are hard to package with any meaningful capital guarantee in the current low interest-rate environment. We have therefore seen an increased demand for longer-maturity products with capped upside and capital protection; for example, call spreads and structures that offer a high probability of a running yield for investors. If anything, investors that would previously only have invested in capital-protected products are starting to realise they need to take some risk in order to generate returns. Autocallables with very low – or zero – coupon barriers have proved increasingly popular during this past year.

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