

## House of the year

### Barclays Capital

> An impressive technology rollout has been at the heart of Barclays Capital's success in Asia during the past year. The bank's Comet price discovery and primary issuance platform was created in Asia and will be introduced in Europe in October. The Comet system has been designed with the secondary trading of over-the-counter trades that Barx-IS offers in mind, with a link to the Bmarket platform for automated listing and secondary trading on exchanges.

The technology advances have been applied to a distributor network that was praised as one of the best by Greenwich Associates in a survey in February this year. The Connecticut-based research and consulting firm interviewed 155 distributors of retail structured products in Asia, from which it concluded that BarCap was a 'quality leader', defined as a firm that receives quality ratings from third-party distributors that exceed those awarded to competitors by a statistically significant margin.

Greenwich calculated that BarCap had market penetration of 41% of Asia's distributors, putting it second behind UBS.

Distributors across the region interviewed for the Structured Products Asia awards commented on BarCap's speed of service and its competitive pricing. "It is aggressive on flow products and is in the top two for pricing," says one Singapore-based banker at a European private bank. The banker appreciated the technological advances made by the bank and praised its commitment to improving its service.

Another Singapore banker at a different European private bank is equally effusive. "BarCap is our best external provider," says the banker. An internal review at the private bank praised BarCap's product range, as well as its trading and sales operations, "which work well together, and we could see quite a lot of innovation coming from them," says the banker. "The products are not necessarily complex, but they are ones that we can use. They have been aggressive and have some prominent US traders and are outstanding in rates and the best in commodities."

Innovation that means adapting to market needs rather than developing new, exotic structures was the force behind the reintroduction of hybrids. "As risk levels fall and yields are no longer sufficient for clients to be attracted to pure rates structures, in the current low interest rates environment, correlation has been reintroduced to the rates structure to enhance yields," says Peter Hu, head of investor solutions for non-Japan Asia at BarCap in Singapore. "To match the demand, we produced flexible hybrid rates structures combining rates with foreign



Peter Hu



exchange, credit, equities and commodities." The initiative has led to US\$500 million of rates hybrids trades to retail and private banking investors.

In an Australian market that has attracted a swarm of investment bankers over the last year, BarCap was present, working with ING Life on an insurance-linked policy that offered protection for the first time. "We took CPPI and used it in a clever way, off balance sheet," says Susan Chan, head of equity and funds structured markets, Asia Pacific at BarCap in Hong Kong. The bank created a fund that was linked to ING's asset management arm, which has a fund manager who tracks the ASX 200. BarCap provided perpetual protection for 80% of the highest NAV at any time. "We needed to keep assets onshore with

the fund manager so we could keep local franking and tax benefits, so we looked daily at what the manager was doing and advised on the basis of our algorithm the allocation between cash and the risky asset. On top of that, we wrote a put option which guarantees the highest NAV." The open-ended fund has a A\$1-2 million a month run rate.

In Malaysia, BarCap offered the first principal-protected, equity-linked Islamic product with Bank Islam. The UK bank took a five-year trade linked to a basket of six stocks from the DJ Islamic Titans Index and provided an option that meant investors receive a coupon if all six stocks are above 125%, and a smaller coupon if three are above 115% of their initial level. BarCap worked with the scholar onshore to ensure sharia compliance and then assisted in internal approvals before the filing. After raising M\$30 million since the January launch, BarCap signed a memorandum of understanding with the Malaysian bank to provide more Islamic products. "There have been sukuks and Wads in the public market but not a publicly listed fund that is principal protected," says Chan.

"BarCap fulfilled the requirements based on best services in terms of features, pricing, speed of services and providing us access to their web-based platform (including valuation reports, market updates and research)," says a Bank Islam official. "The product has fulfilled its first criteria of a six-month coupon payout of 1.5%, which we paid out in July."

In Japan, securing an asset management licence enabling BarCap to offer domestic funds in 2009 has catapulted business upwards, as has the offering its TOM (turn of the month) strategy via 11 local distributors.

The bank remains active in Asian markets that were damaged more by the financial crisis. In Taiwan, BarCap plans to launch the first product to a mass retail audience, with the sale of an insurance-linked policy product scheduled for the first week of October. ●

