

Best in Switzerland

Royal Bank of Scotland

> The structured-product-loving Swiss are in full recovery mode after the collapse of Lehman Brothers in September 2008 – and the Royal Bank of Scotland (RBS) has served its clients' interests better than the rest. This year the bank has given Swiss investors direct access to international markets, new products and has even had time to write and publish its own magazine.

"Following our acquisition of ABN Amro, which has really developed this year, we have been able to focus and utilise our technical qualities on indexing and distribution capabilities," says Lucas Bruggeman, regional head of equity derivatives and PIP products in Zurich.

MarketDirect, launched in February 2010, has had the biggest impact on the Swiss market and is RBS's crowning glory. "It's the future," says Bruggeman simply. "It is necessary to have a business-to-business platform as an issuer in Switzerland. The ability to tailor-make your own products on-screen and trade it instantly – together with the ability to price the product, get a term sheet and then sell it again – that is where we are heading.

"We are magnificent when it comes to accessibility of markets," he continues. "We have a hugely broad range and, if an investor wants access to Indonesian stocks, access to emerging markets or even Sharia-compliant products then we can do it. It is all possible."

RBS responded to a growing demand for automation when it developed *MarketDirect*, and now investors are able to price their own products, which is complemented with approximately 300 underlyings. Added to this, the secondary market and investors have access to 32,000 existing products. In short, investors are able to price their own structured products and close them in the automated system. Furthermore, they are able to get a code in a split second and can also trade the secondary market, or even sell back to RBS on the same system. "We have combined the two systems," says Bruggeman.

"We started *MarketDirect* in the Netherlands and Switzerland but have since rolled it out into our own private banks and they have started to trade on it," he says. "It is a very efficient and clean way to improve the life of a salesman and to make sure the product is understood fully. This puts to rest regulation worries and much more besides."

In terms of product development, RBS has expanded the concept of the floored floating-rate notes by introducing leveraged floored floating-rate notes to the local market. "Over time we have been able to develop the floored floating-rate notes, and in this instance we leveraged



Lucas Bruggeman



them up," says Bruggeman. "The most recent one we did was with a barrier, the Rex floater. It has a 50% barrier, which is linked to an index, such as the Euro Stoxx, and through that they get a Libor plus coupon. The product is also relatively short term – just one and a half to two years.

"There are two types of products in the Swiss market at the moment," he continues. "High leveraged products and capital protected with a coupon. We have found that Swiss clients like capital protection with a coupon. The leverage floored floating-rate note provides this to the investor but it also helps their position if rates were to go up in a couple of years because the floating part is completely reactive to that."

This Swiss listing can be accessed and used in multiple currencies, and there are 30 different listed floored floating-rate notes accessible to institutional and retail clients. Volumes this year have totalled €350 million.

The UK bank has also put its stamp on the actively managed certificate (AMC) market in Switzerland. "There are many types of AMC," says Bruggeman. "However, some clients have had a problem with issuer risk since Lehman as they require collateral.

"We have adapted AMCs into a strategy whereby professional clients don't have to set up a fund for a basket of stocks – that's too expensive." Instead, the bank has, together with a UK bank, created a system that allows external parties to create their own custom-made products through the AMC infrastructure. This year to date, there has been €460 million invested in different strategies.

"The UK bank carried out internal research and selected a list of favourite themes," continues Bruggeman. "We then trade those into a basket that can be changed to a different format, such as an index or fund form. We provide full flexibility for the client to re-weight and change the product composition at optimised costs." The framework is to be long equity with exchange-traded fund (ETF) as well as short ETF from developed countries, stock picking and cash allocation.

Its homegrown magazine, *Märkte Zertifikate*, is also popular; there are now 11,000 subscribers to the free monthly publication. "It focuses on product trends and investment themes and has education columns and much more," he says. "We are the only bank in Switzerland that has a magazine like it. Of our subscribers, 60% are professionals so we feel we have found a balance between retail and institutional." ●