

Best in the UK

Royal Bank of Scotland

> The UK Financial Services Authority's (FSA) review of structured products, published in October 2009, shook up the UK market. As providers looked at how to change their business models, the Royal Bank of Scotland (RBS) took the lead in pushing the market forward in terms of education and transparency.

In response to the review, which looked at suitability of advice, product design and the responsibility of providers after the point of sale, RBS has launched a range of materials and educational programmes, pushed its listed products business to new heights and tweaked existing products. "We have been working out how to react in the most positive way and deliver the right returns and profiles for clients in a market that is under intense scrutiny," says Zak de Mariveles, managing director, equity derivatives and structured retail at RBS Global Banking & Markets in London.

One of the biggest challenges facing the UK's structured products industry is negative press coverage. Until last year, it lacked a unified voice, but RBS led the creation of the UK Structured Products Association. The association was launched in December last year and now includes 10 providers and five independent plan managers and distributors.

To further educate the market (and in response to FSA concerns about lack of education among intermediaries), RBS has expanded its Structured Products Academy. Its retail distribution partner, SIP Nordic, runs the academy, which was set up last year with monthly seminars. This year, these have been stepped up to fortnightly, with an 800% increase in attendance.

The Cheshire-based Three Sixty IFA Network has adopted the academy as the programme of choice and it has just been approved by In Partnership IFA network as compulsory training for members wanting to sell structured products. "We have found SIP Nordic to be head and shoulders above all other providers in the provision of face-to-face training and production of training material," says David Ingram, director at Three Sixty Services.

Royal Bank of Scotland published the first edition of its *MarketDirect* magazine in January to educate self-directed investors. It has also started publishing newsletters updating retail investors on its products and ideas and a monthly fact sheet for its dynamic strategies showing performance since inception, allocations, returns and volatility.

These efforts have pushed investors towards the bank's listed products. The internet platform for RBS's products was set up in 2008



Zak de Mariveles

and this year it has seen a 400% increase in unique users as investors look for transparency and liquidity. "Their site is very good. RBS are the standouts there," says Clive Moore, managing director of specialist structured products consultancy Idad in Hampshire.

The bank has sold £5 billion of listed products this year (of which around 98% are structured products), sales that include the Frontier Markets tracker, launched in response to demand for access to usually inaccessible markets. The tracker is based on the MSCI Frontier Markets index and raised about £10 million in notional.

By tweaking some existing products, RBS has been able to meet investor demand. Its defensive autocalls have been a popular example of this, selling roughly £50 million of notional. "Autocalls have been flavour of the year and there are lots of providers offering similar products," says Ben Board, director, UK listed products at RBS in London. "In discussion with wealth managers we managed to tweak the autocall slightly to offer a defensive autocall." By bringing down the trigger level, it gave investors a much higher chance of receiving a return plus their capital back.

Another example of taking existing products and adding changes to meet investor demand has been to put its Autopilot strategy into deposit form. The underlying dynamic strategy works by allocating to developed equities, emerging equities, real estate or commodities. At the start of each month, if each sector is above the 12-month moving average, it will invest 25% in that sector, with returns capped at 7%. If the sector is below that level, it will invest in inflation through the Retail Price Index.

The index was launched in June last year and RBS already had investment products linked to the index. In response to investor concerns about counterparty credit risk, RBS added a deposit product, which is covered by the Financial Services Compensation Scheme up to £50,000 per investor. A cash Individual Savings Account version was also created to help UK investors get a tax-efficient investment.

This year has seen a huge increase in interest in the products as investors focus on inflation, says de Mariveles. In total, RBS has sold more than £250 million of products linked to the index.

Even more popular has been the Royal Deposit Plan. In response to demand from retail investors, intermediaries and institutions for cash products, RBS combined the structured products infrastructure of plan managers (Legal & General is plan manager) and being able to put products into different tax wrappers, and constructed a product with Ulster Bank (RBS' Irish subsidiary) credit risk, covered by the FSCS compensation scheme and sold via its structured products sales force. ●

