

WEALTH MANAGEMENT HOUSE OF THE YEAR

Barclays Capital



Peter Hu,
Barclays Capital

Barclays Capital is rated highly as a provider of wealth management products due in part to its ability to offer a range of assets as underlyings beyond equity, which once formed the backbone of efforts to provide yield pick-up for wealth management businesses in Asia. Moreover, its clients say the UK bank offers interesting products across these asset classes and has a reputation for generating attractive themes and ideas. “Barclays always gives us thoughts that tickle our brain,” says the investment head for Asia at a top-tier European private bank based in Hong Kong.

Barclays Capital’s set-up has also enabled the bank to meet client demand for cross-assets including, for example, equities, interest rates, foreign exchange, emerging markets and commodities. Peter Hu, head of investor solutions for Asia ex-Japan at Barclays Capital in Hong Kong, says the wealth management team was integrated in 2004–05, as the bank became more aware of the need to support retail clients across various asset classes when it noticed investors tended to rotate from one asset class to the next, depending on the market cycle.

One particular area where this cross-asset approach has stood out has been the bank’s interest rate hybrids business. With low interest rates in many jurisdictions making pure rates products less attractive to clients, Barclays Capital combined rates with other asset classes to create structures to help enhance yields.

Amit Agarwal, managing director for rates structuring for Asia Pacific at Barclays Capital in Hong Kong, says hybrid trades have been done before, but they tended to be bespoke. “From late last year, we commoditised this business by making it more accessible to wealth clients, supporting small ticket sizes – we were probably the only bank that sent out weekly pricing runs on hybrids across all asset classes,” says Agarwal. “We have executed more than half-a-billion [US dollars] in pure hybrids this year [2010] with wealth clients alone, which validated our strategy.” He adds that the bank initially launched rates and forex hybrids, but later expanded into rates/equities, rates/commodities and rates/credit hybrid structures. “Our ability to work seamlessly across asset classes, both on the product and distribution side, gives us great flexibility and competitive edge,” says Agarwal.

The bank also made an important breakthrough with its first Islamic structured trade in Malaysia. It teamed up with Bank Islam to offer a 100% principal protected equity-linked product offering regular payouts in the form of an Islamic negotiable instrument, with a restrict-

ed *mudharabah* contract underlying the structure. The underlyings were global, but mostly located in Asia.

Barclays Capital expects repeat Islamic deals. “Through the process, we came up with a template we will be able to use on a repeat basis,” says Susan Chan, head of equity and funds structured markets for Asia Pacific at Barclays Capital in Hong Kong. “[Bank Islam is] comfortable on their board side and on their scholar side as well. It took a lot of time across different teams to get that format done, but we’re confident that this will pass the test every time now.”

Barclays Capital has also taken steps to offer other innovative assets. For example, as well as launching its own gold fund, the bank has also taken volatility as an investment asset beyond its typical base among institutional investors to wealthy clients in Asia. The bank’s iPath exchange-traded notes offer one access route. These typically reference the Vix index, although other forms referencing the Eurostoxx 50’s VStoxx are also available.

Hu believes volatility is a “new asset class” for retail. “What we’ve seen in the last year has been the quickest pick-up in assets under management in Asia, demonstrating the demand,” he says. Hu adds that volatility offers a cheaper hedge to downside risk for an investor than a put-buying campaign. Globally Barclays Capital has done about \$1.3 billion in volatility trades, of which around \$50–100 million has come from Asian private placement, with structured products on the Vix-related iPaths first done in Asia. “We are really happy with the take-up of the product in Asia – we’ve been talking about it for years,” says Chan. “The fact is, persistence has really paid off.”

Finally, Barclays Capital also stood out for its efforts to capture more wealth business this year with the launch in March of its Comet platform – a fully automated pricing and execution system, which sits within the Barx electronic platform. The number of dealers offering full click-and-trade systems is small, while the number that offer click and trade beyond just their own private banks is smaller still. Comet saves time and resources needed to turn around a trade, so streamlining the process between front and back offices, as well as giving front-line staff a better picture of market flows. The platform, developed in Asia, will be rolled out into Japan and Europe later this year.

This initiative may contribute to the development of a secondary trading market in Asia for certain structured products, which is largely less developed in Asia in relation to Europe. ●