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So what has the UK Structured Products Association been up to?

There can be no doubt that the retail structured products sector needed a voice in the market place. Since the collapse of Lehman Brothers and other fine establishments it was essential that key manufacturers and distributors of structures pooled resources and intelligence to address the concerns of investors and advisers.

The members of the Association all agree that access to information is a key objective and this sometimes involves defending the sector from ill-informed, unconstructive commentary from pockets of the financial services industry by challenging outdated views and opinions and educating the retail market.

The truth is that some people will never change their opinions. The members can accept this fact, however the Association is taking steps to help others benefit from alternative views, more detailed information and analysis about structures and better access to educational materials.

Growing membership

The Association launched in November 2009 with eight founding members including Citi, Credit Suisse, Legal & General, Morgan Stanley, Prudential, Royal Bank of Scotland, Santander and Skandia.

A common goal of all members is to maintain an executive membership of institutions which create and sell structured products for the retail market. This does not preclude other institutions from being involved and contributing to the development and activities of the Association, but it does provide a practical framework for an Association which needs to be representative of the industry and yet capable of making decisions.

Since the launch two more firms have joined the executive membership - Lloyds Banking Group and Société Générale Corporate & Investment Banking. Growing the membership is key to the future success of the Association.

Other institutions are currently progressing through the membership application which should lead to further announcements in due course.

Listening to the market

All the members are keen to engage with financial advisers and discretionary managers in ways that might prove to be prohibitive in isolation.

The Association is about to embark on its first body of research among these two important and influential groups. The survey aims to gain a detailed, meaningful analysis of perceptions of the structured product market, the types of products available, views on the

quality of information and educational materials available, where providers are getting it wrong, as well as the scope and scale of advice and recommendation of structures.

This is an essential research exercise that will help the Association pinpoint key areas of focus and activity which will in turn ensure that resources are deployed to the benefit of the retail market.

More listening to the market

The Association is keen to attract views from all areas of the market. During initial conversations among providers it was clear that independent plan managers and distributors play a pivotal role in the retail market and this was the reason that the Association launched with a committee in place to advise it on matters concerning these specific parts of the structured products industry. The committee includes all the main independents: Gilliat Financial Solutions, Jubilee Financial Products, Meteor Asset Management and Walker Crips Structured Investments.

Of course, financial advisers are also pivotal to the activities of providers and the Association so a solid relationship with the Association of Independent Financial Advisers (AIFA), and other interested and influential parties, forms part of an ongoing initiative, perhaps in form of an advisory committee.

The Association is also determined to tackle important issues where it can provide clarity, particularly for investors and financial advisers, by engaging with compliance and risk professionals who could prove very helpful for identifying the “big issues”.

Seeking and publishing the facts

A hot topic among members has been the publication of performance data and analysis about structured products. Traditionally it has been quite difficult to compare structures because they vary so greatly, however the Association is having very productive conversations with all of the data providers to explore ways in which historical information can be collected and organised in a way that is useful to the retail market, and ultimately published.

If the data could then be complemented with risk profiling, insight and commentary from providers, financial advisers, discretionary managers and even investors then this could offer the market the facts and experience they need to make informed decisions about structured products and portfolio planning in general.

Baby steps

The Association is now six months old and is making progress with its key objective of educating advisers and the media of the benefits of investing in structures. The asset allocation debate is catching up and the old fashioned mix of cash, equities and bonds is at last being reevaluated. The use of structures and alternatives is widespread in the discretionary space and this is filtering across to financial advisers.

The Association will continue to expand its membership and help investors understand why using a structure within a balanced allocation is attractive and complements, not replaces, traditional assets.

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