SSPA SWISS DERIVATIVE MAP 2016

SVSP
Schweizerischer Verband für Strukturierte Produkte
Swiss Structured Products Association
Associazione Svizzera per prodotti strutturati
Association Suisse Produits Structurés

Discover the potential.
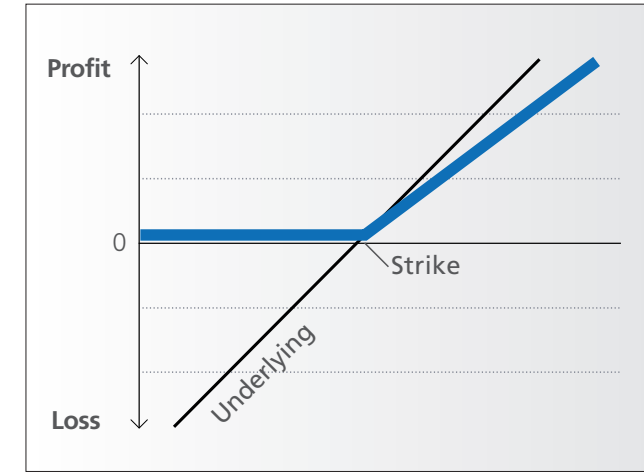
STRUCTURED PRODUCTS

INVESTMENT PRODUCTS

11 CAPITAL PROTECTION

Capital Protection Certificate with Participation (1100)

Market expectation
- Rising underlying
- Rising volatility
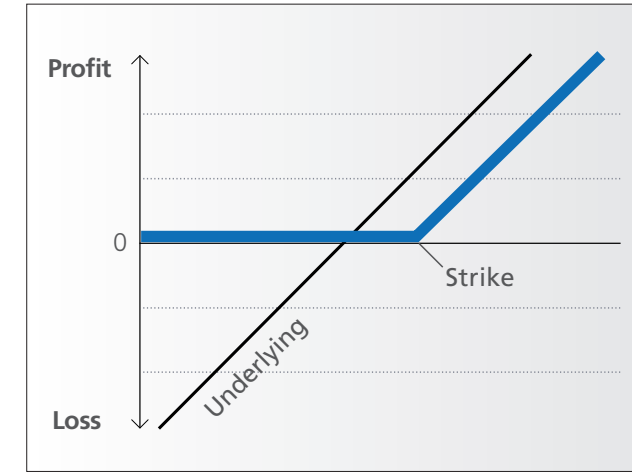- Sharply falling underlying possible

Characteristics
- Minimum redemption at expiry equivalent to the capital protection
- Capital protection is defined as a percentage of the nominal (e.g. 100%)
- Capital protection refers to the nominal only, and not to the purchase price
- Value of the product may fall below its capital protection during the lifetime
- Participation in underlying price increase above the strike

Convertible Certificate (1110)

Market expectation
- Rising underlying
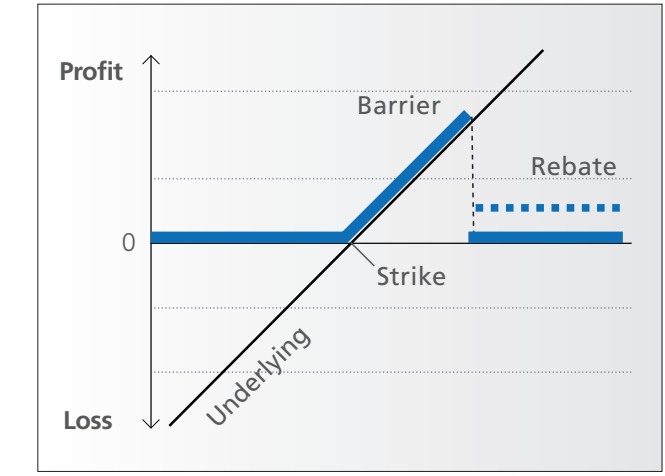- Rising volatility
- Sharply falling underlying possible

Characteristics
- Minimum redemption at expiry equivalent to the capital protection
- Capital protection is defined as a percentage of the nominal (e.g. 100%)
- Capital protection refers to the nominal only, and not to the purchase price
- Value of the product may fall below its capital protection during the lifetime
- Participation in underlying price increase above the strike (conversion price)
- Coupon payment possible

Barrier Capital Protection Certificate (1130)

Market expectation
- Rising underlying
- Sharply falling underlying possible
- Underlying is not going to touch or go above the barrier during product lifetime
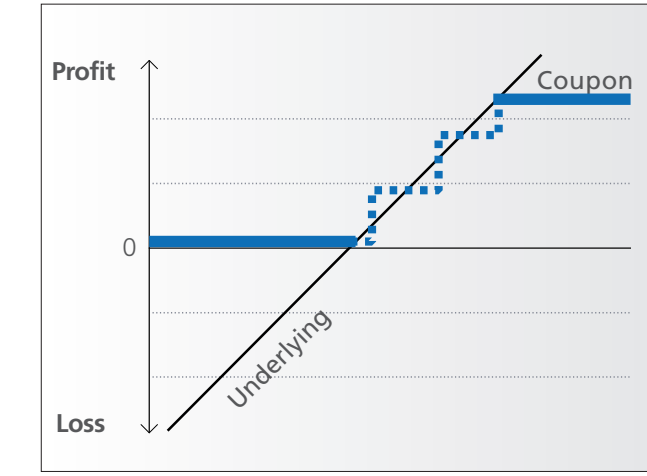

Characteristics
- Minimum redemption at expiry equivalent to the capital protection
- Capital protection is defined as a percentage of the nominal (e.g. 100%)
- Capital protection refers to the nominal only, and not to the purchase price
- Value of the product may fall below its capital protection during the lifetime
- Participation in underlying price increase above the strike up to the barrier
- Possibility of rebate payment once barrier is breached
- Limited profit potential

Capital Protection Certificate with Coupon (1140)

Market expectation
- Rising underlying
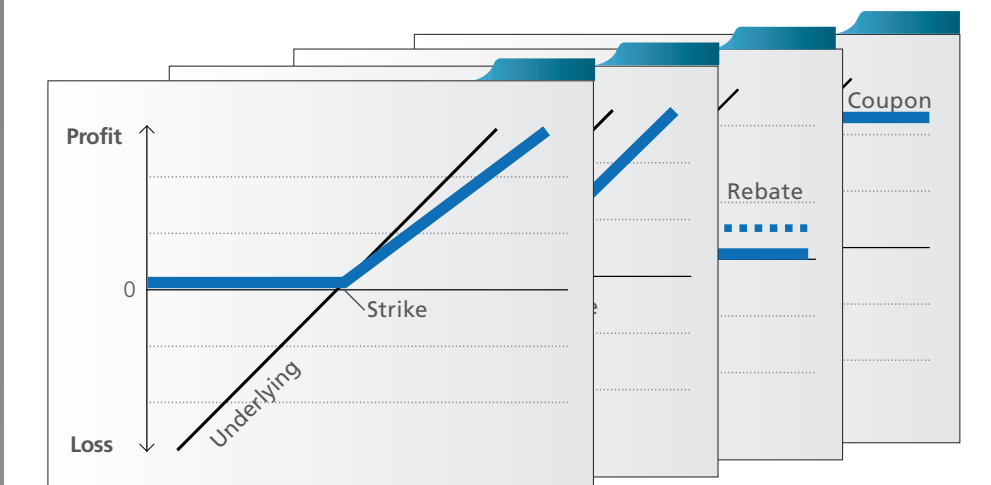- Sharply falling underlying possible

Characteristics
- Minimum redemption at expiry equivalent to the capital protection
- Capital protection is defined as a percentage of the nominal (e.g. 100%)
- Capital protection refers to the nominal only, and not to the purchase price
- Value of the product may fall below its capital protection during the lifetime
- The coupon amount is dependent on the development of the underlying
- Periodic coupon payment is expected
- Limited profit opportunity

12 YIELD ENHANCEMENT

Discount Certificate (1200)

Market expectation
- Underlying moving sideways or slightly rising
- Falling volatility

Characteristics
- Should the underlying close below the strike on expiry, the underlying and/or a cash amount is redeemed
- Discount Certificates enable investors to acquire the underlying at a lower price
- Corresponds to a buy-write-strategy
- Reduced risk compared to a direct investment into the underlying
- With higher risk levels multiple underlyings (Worst-of) allow for higher discounts
- Limited profit opportunity (Cap)

Barrier Discount Certificate (1210)

Market expectation
- Underlying moving sideways or slightly rising
- Falling volatility
- Underlying will not breach barrier during product lifetime
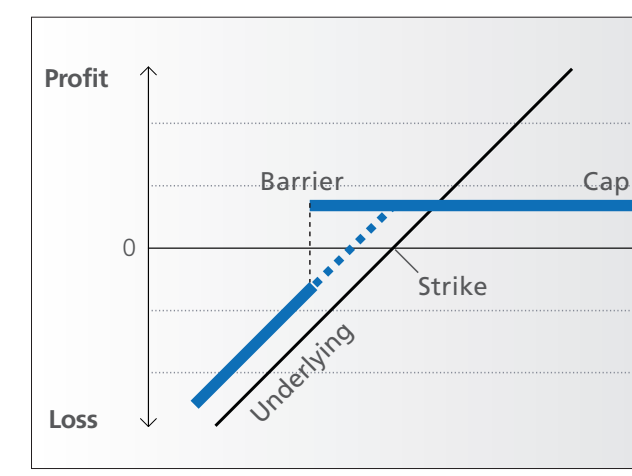
Characteristics
- The maximum redemption amount (Cap) is paid out if the barrier is never breached
- Barrier Discount Certificates enable investors to acquire the underlying at a lower price
- Due to the barrier, the probability of maximum redemption is higher; the discount, however, is smaller than for a Discount Certificate
- If the barrier is breached the product changes into a Discount Certificate
- Reduced risk compared to a direct investment into the underlying
- With higher risk levels multiple underlyings (Worst-of) allow for higher discounts or lower barriers
- Limited profit potential (Cap)

Reverse Convertible (1220)

Market expectation
- Underlying moving sideways or slightly rising
- Falling volatility
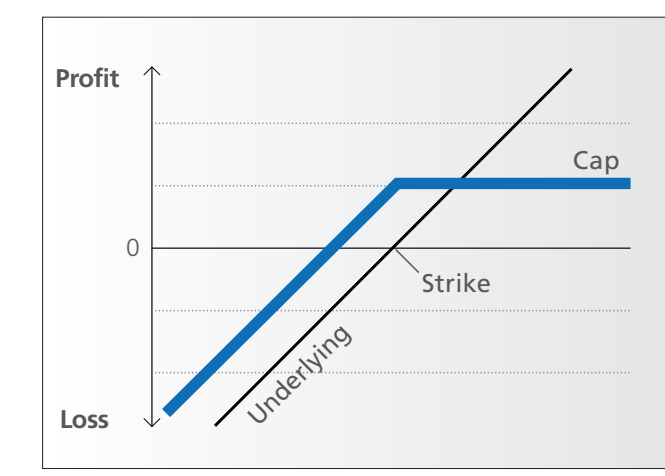
Characteristics
- Should the underlying close below the strike on expiry, the underlying and/or a cash amount is redeemed
- Should the underlying close above the Strike at expiry, the nominal plus the coupon is paid at redemption
- The coupon is paid regardless of the underlying development
- Reduced risk compared to a direct investment into the underlying
- With higher risk levels, multiple underlyings (Worst-of) allow for higher coupons
- Limited profit potential (Cap)

Barrier Reverse Convertible (1230)

Market expectation
- Underlying moving sideways or slightly rising
- Falling volatility
- Underlying will not breach barrier during product lifetime
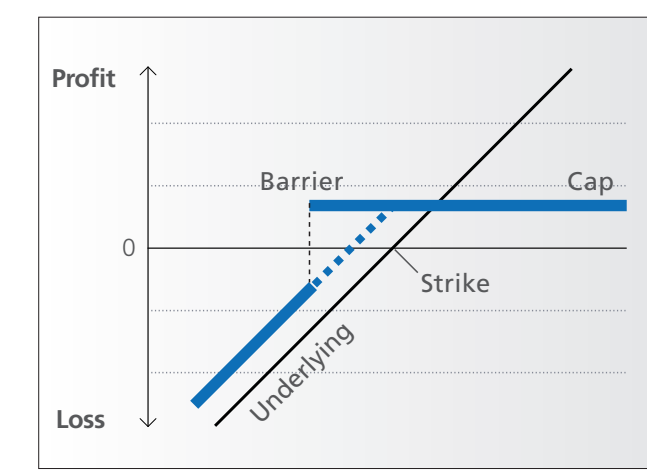
Characteristics
- Should the barrier never be breached, the nominal plus coupon is paid at redemption
- Due to the barrier, the probability of maximum redemption is higher; the coupon, however, is smaller than for a Reverse Convertible
- If the barrier is breached the product changes into a Reverse Convertible
- The coupon is paid regardless of the underlying development
- Reduced risk compared to a direct investment into the underlying
- With higher risk levels, multiple underlyings (Worst-of) allow for higher coupons or lower barriers
- Limited profit potential (Cap)

Express Certificate (1260)

Market expectation
- Underlying moving sideways or slightly rising
- Decreasing volatility
- Underlying will not breach barrier during product lifetime
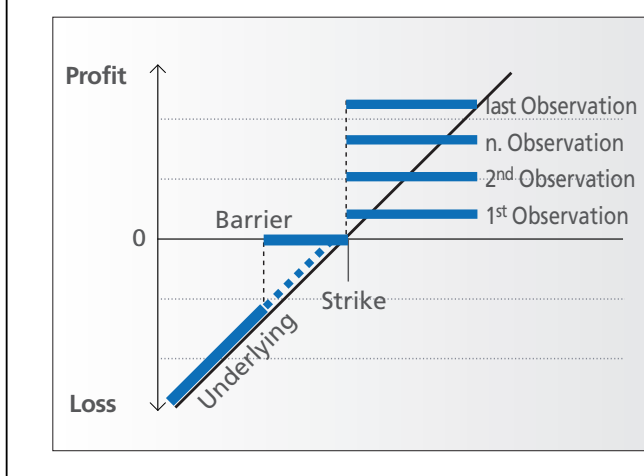
Characteristics
- Should the underlying trade above the Strike on the observation date, an early redemption consisting of nominal plus an additional coupon amount is paid
- Offers the possibility of an early redemption combined with an attractive yield opportunity
- Reduced risk compared to a direct investment into the underlying
- With higher risk levels, multiple underlyings (Worst-of) allow for higher coupons or lower barriers
- Limited profit opportunity (Cap)

13 PARTICIPATION

Tracker Certificate (1300)

Market expectation
- Rising underlying

Characteristics
- Participation in development of the underlying
- Reflects underlying price moves 1:1 (adjusted by conversion ratio and any related fees)
- Risk comparable to direct investment in the underlying

Outperformance Certificate (1310)

Market expectation
- Rising underlying
- Rising volatility
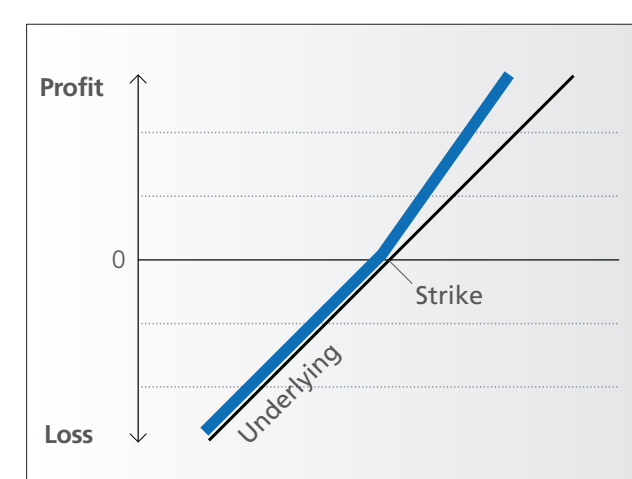
Characteristics
- Participation in development of the underlying
- Disproportionate participation (outperformance) in positive performance above the strike
- Reflects underlying price moves 1:1 when below the Strike
- Risk comparable to direct investment in the underlying

Bonus Certificate (1320)

Market expectation
- Underlying moving sideways or rising
- Underlying will not breach barrier during product lifetime
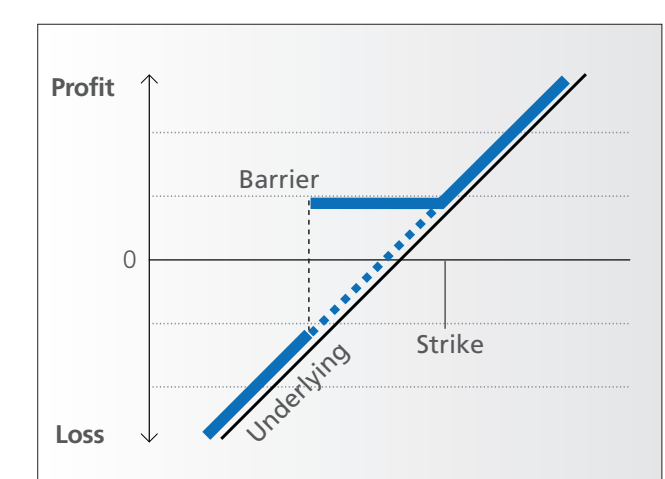
Characteristics
- Participation in development of the underlying
- Minimum redemption is equal to the nominal provided the barrier has not been breached
- If the barrier is breached the product changes into a Tracker Certificate
- With greater risk multiple underlyings (Worst-of) allow for a higher bonus level or lower barrier
- Reduced risk compared to a direct investment into the underlying

Bonus Outperformance Certificate (1330)

Market expectation
- Rising underlying
- Underlying will not breach barrier during product lifetime
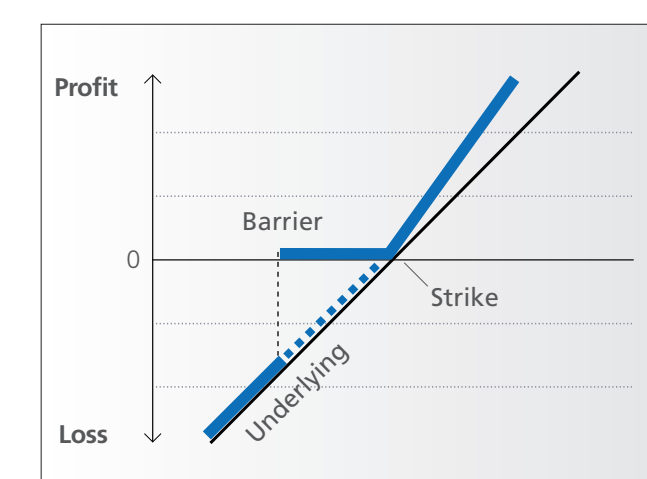
Characteristics
- Participation in development of the underlying
- Disproportionate participation (outperformance) in positive performance above the strike
- Minimum redemption is equal to the nominal provided the barrier has not been breached
- If the barrier is breached the product changes into a Outperformance Certificate
- With greater risk multiple underlyings (Worst-of) allow for a higher bonus level or lower barrier
- Reduced risk compared to a direct investment into the underlying

Twin-Win Certificate (1340)

Market expectation
- Rising or slightly falling underlying
- Underlying will not breach barrier during product lifetime
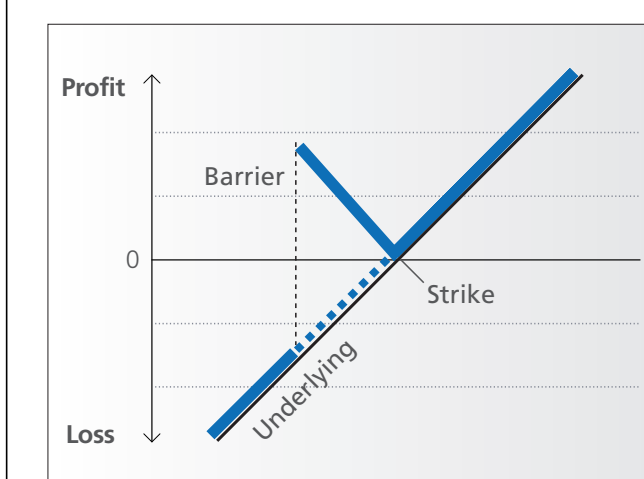
Characteristics
- Participation in development of the underlying
- Profits possible with rising and falling underlying
- Falling underlying price converts into profit up to the barrier
- Minimum redemption is equal to the nominal provided the barrier has not been breached
- If the barrier is breached the product changes into a Tracker Certificate
- With higher risk levels, multiple underlyings (Worst-of) allow for a higher bonus level or lower barrier
- Reduced risk compared to a direct investment into the underlying

14 INVESTMENT PRODUCTS WITH REFERENCE ENTITIES

Reference Entity Certificate with Conditional Capital Protection (1410)

Market expectation
- Rising underlying
- Sharply falling underlying possible
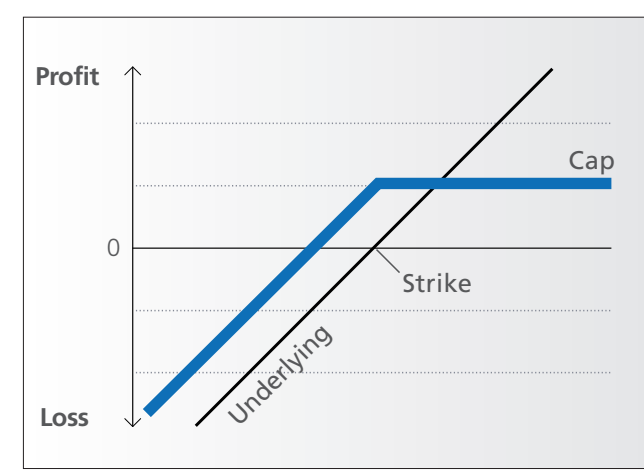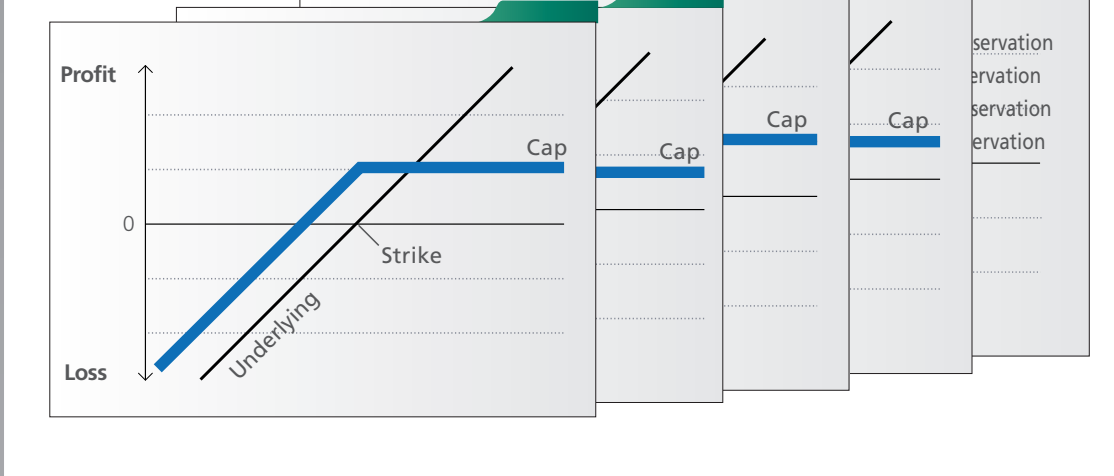- No credit event of the reference entity

Characteristics
- There are one or more reference entities underlying the product
- In addition to the credit risk of the issuer, redemption is subject to the solvency (non-occurrence of a credit event) of the reference entity
- Redemption is made at least in the amount of conditional capital protection at maturity, provided that no credit event of the reference entity has occurred
- If a credit event occurs at the reference entity during the life time, the product will be redeemed at an amount corresponding to the credit event
- The product value can fall below conditional capital protection during its lifetime, among other things due to a negative assessment of reference issuer creditworthiness
- Conditional capital protection only applies to the nominal and not the purchase price
- Participation in development of the underlying, provided a reference entity credit event has not occurred
- The product allows higher yield at greater risk

Reference Entity Certificate with Yield Enhancement (1420)

Market expectation
- Underlying moving sideways or slightly rising
- Falling volatility of the underlying
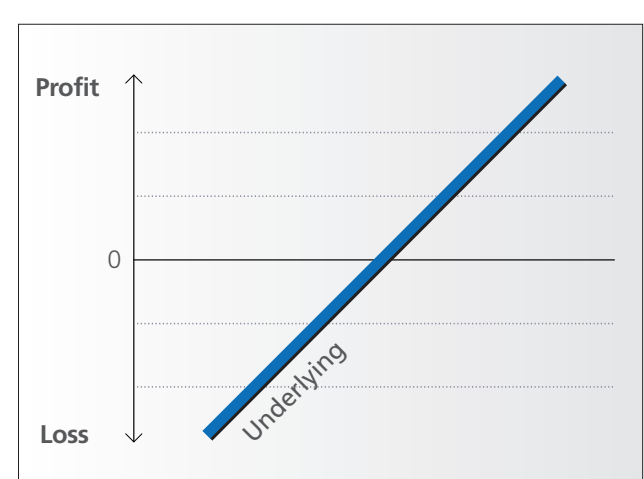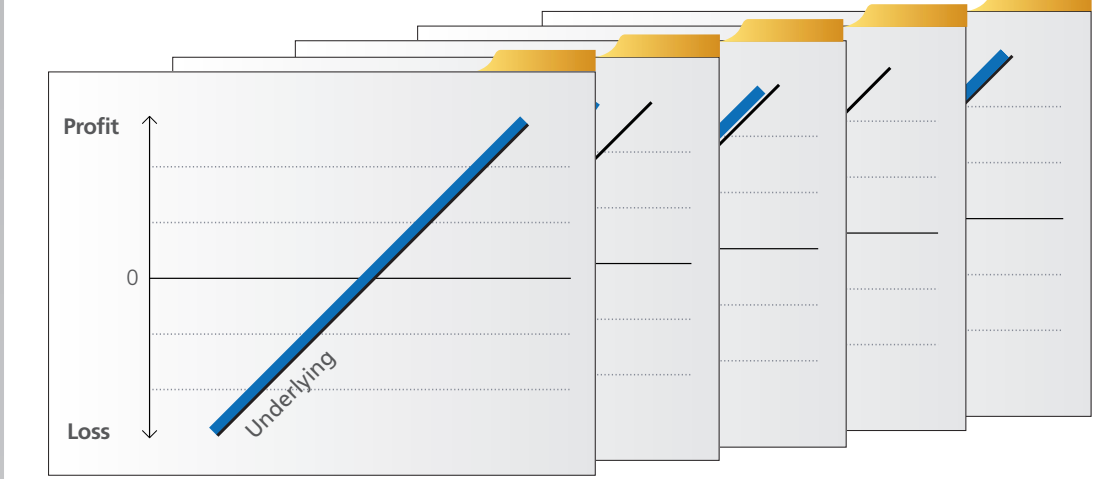- No credit event of the reference entity

Characteristics
- There are one or more reference entities underlying the product
- In addition to credit risk, redemption of the product is subject to solvency (non-occurrence of a credit event) of the reference entity
- If a credit event occurs at the reference entity during the life time, the product will be redeemed at an amount corresponding to the credit event
- The product value can fall during its lifetime, among other things due to a negative assessment of reference entity creditworthiness
- If the underlying is lower than the exercise price upon maturity, the underlying is delivered and/or a cash settlement is made, provided that no credit event of the reference entity has occurred
- If the underlying is higher than the exercise price upon maturity, the nominal is repaid, provided that no credit event of the reference entity has occurred
- Depending on the characteristics of the product, either a coupon or a discount to the underlying can apply
- A coupon is paid out regardless of performance of the underlying, provided that no credit event of the reference entity has occurred
- In addition, the product can feature a barrier
- With greater risk, multiple underlyings (Worst-of) allow for higher coupons, larger discounts, or lower barriers
- Limited Profit Potential (Cap)
- The product allows higher yield at greater risk

Reference Entity Certificate with Participation (1430)

Market expectation
- Rising underlying
- No credit event of the reference entity
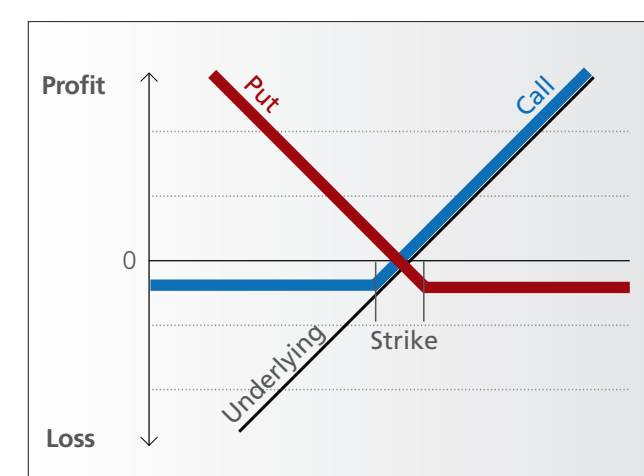

Characteristics
- There are one or more reference entities underlying the product
- In addition to credit risk, redemption of the product is subject to the solvency (non-occurrence of a credit event) of the reference entity
- If a credit event occurs at the reference entity during the life time, the product will be redeemed at an amount corresponding to the credit event
- The product value can fall during its lifetime, among other things due to a negative assessment of reference entity creditworthiness
- Participation in development of the underlying, provided a reference entity credit event has not occurred
- In addition, the product can feature a barrier
- The product allows higher yield at greater risk

LEVERAGE PRODUCTS

20 LEVERAGE

Warrant (2100)

Market expectation
- Warrant (Call): Rising underlying, rising volatility
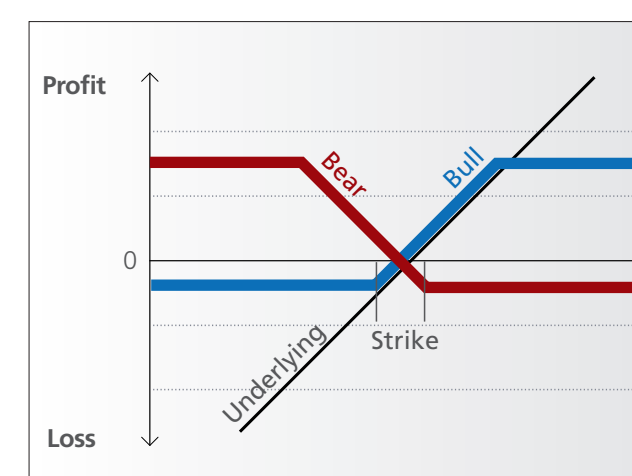- Warrant (Put): Falling underlying, rising volatility

Characteristics
- Small investment generating a leveraged performance relative to the underlying
- Increased risk of total loss (limited to initial investment)
- Suitable for speculation or hedging
- Daily loss of time value (increases as product expiry approaches)
- Continuous monitoring required

Spread Warrant (2110)

Market expectation
- Spread Warrant (Bull): Rising underlying
- Spread Warrant (Bear): Falling underlying

Characteristics
- Small investment generating a leveraged performance relative to the underlying
- Increased risk of total loss (limited to initial investment)
- Daily loss of time value (increases as product expiry approaches)
- Continuous monitoring required
- Limited profit potential (Cap)

Warrant with Knock-Out (2200)

Market expectation
- Knock-Out (Call): Rising underlying
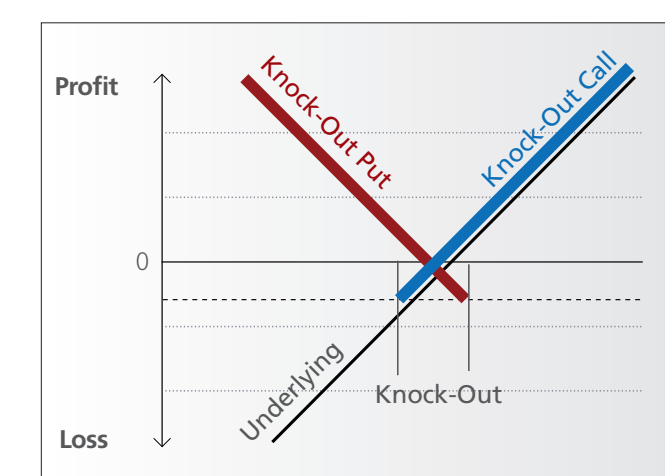- Knock-Out (Put): Falling underlying

Characteristics
- Small investment generating a leveraged performance relative to the underlying
- Increased risk of total loss (limited to initial investment)
- Suitable for speculation or hedging
- Continuous monitoring required
- Immediately expires worthless in case the barrier is breached during product lifetime
- Minor influence of volatility and marginal loss of time-value

Mini-Future (2210)

Market expectation
- Mini-Future (Long): Rising underlying
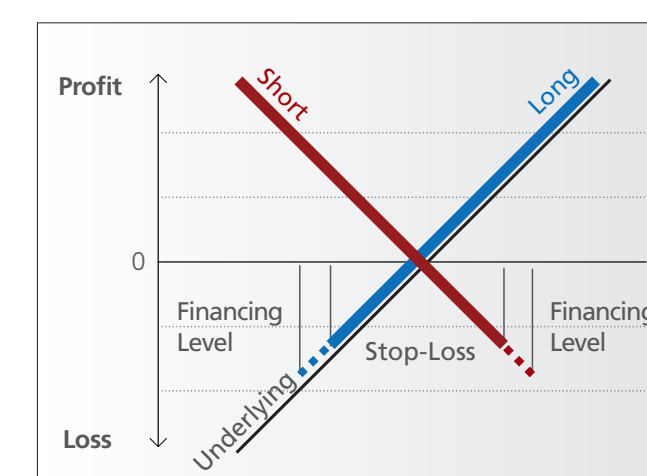- Mini-Future (Short): Falling underlying

Characteristics
- Small investment generating a leveraged performance relative to the underlying
- Increased risk of total loss (limited to initial investment)
- Suitable for speculation or hedging
- Continuous monitoring required
- A potential stop loss and/or adjustment mechanism prevents the value of the product from becoming negative
- A residual value is redeemed following a Stop-Loss Event
- No influence of volatility

Constant Leverage Certificate (2300)

Market Expectation
- Long: Rising underlying
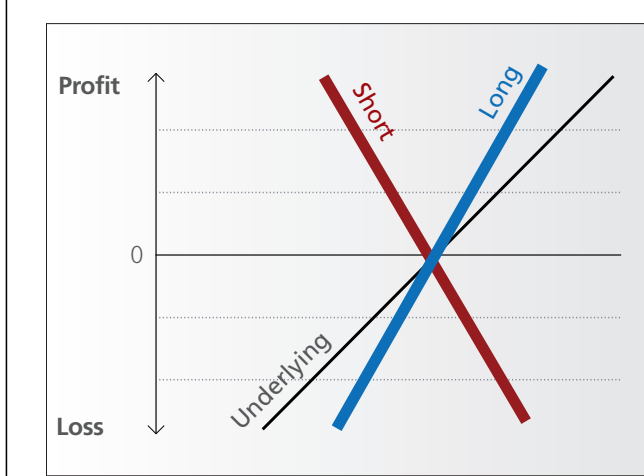- Short: Falling underlying

Characteristics
- Small investment generating a leveraged performance relative to the underlying
- Increased risk of total loss (limited to initial investment)
- Continuous monitoring required
- Frequent shifts in direction of the price of the underlying have a negative effect on the product performance
- Resetting on a regular basis ensure a constant leverage
- Continuous monitoring required

Additional features

Categorization can be more closely defined as follows:

Asian option	Uses the average underlying price over a number of predefined periods (monthly, quarterly, annually) rather the price at a specific time.
Auto-Callable	If, on an observation day, the price of the underlying is either on or above (bull), or, on or below (bear) a previously defined barrier ("autocall trigger"), the product is redeemed prior to maturity.
Callable	The issuer has the right to cancel early, however, there is no obligation to do so.
Capped participation	The product has a maximum yield.
Conditional Coupon	A scenario exists where the coupon is not repaid (also: coupon at risk).
COSI	The issuer of Collateral Secured Instruments provides SIX Swiss Exchange with collateral covering their current value. For the investor this means protection in case of issuer default.
European Barrier	Only the last-day closing price is relevant for monitoring the barrier.
Lock-In	If the lock-in level is reached, repayment is at least in a preassigned amount regardless of future development of the underlying price.
Lookback	Barrier and/or strike are set with a time delay (look-back phase).
Memory coupon	One scenario for an unpaid-out conditional coupon is a catch-up payment at a later date.
Partial capital protection	Capital protection is between 90% and 100% of the nominal value.
Puttable	The investor has the right to return the product to the issuer on certain days during the term.
Variable coupon	The coupon amount can vary, depending on a predefined scenario.

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