

Accrual

A return based on the number of days in the period when the underlying stayed above, below or within pre-specified levels.

AFM (Autoriteit Financiële Markten)

The Dutch regulator, AFM, has been responsible for supervising the operation of the financial markets since 1 March 2002. AFM is the successor of the STE (Securities Board of the Netherlands / Stichting Toezicht Effectenverkeer), which supervised all of the participants in the securities trade.

Airbag product

This is another name sometimes given to a Tracker product. The idea is that these products provide some protection against a market crash, rather like the airbag system in a motor car that cushions the driver against the effects of a car crash.

Alternatives

Underlying is composed of non-traditional asset classes such as hedge funds

Altiplano

A type of return based on a fixed coupon at maturity provided none of the assets in the basket have fallen. If, however, a specified number of the elements in the basket did fall then the return is calculated on a different basis, usually by a call type payout. More complicated products offer different participations based on the number of assets which break a predetermined barrier.

American option or style

American style options are options that can be exercised at any time.

AMF (Autorité des marchés financiers)

France's securities regulator, the Autorité des marchés financiers (AMF) was established by the Financial Security Act of 1 August 2003. It was formed from the merger of Commission des Opérations de Bourse (COB), the Conseil des Marchés Financiers (CMF) and the Conseil de Discipline de la Gestion Financière (CDGF).

AMRF

An approved minimum retirement fund (AMRF) is an Irish fund similar to an approved retirement fund (ARF). However, in the case of an AMRF, the amount invested cannot be accessed until age 75, at which point it becomes an ARF.

Anleihe

(German) Anleihe is debt instrument under which the investor loans money to an entity (company or government), whose value is determined by the price movement of the underlying asset.

Annapurna

A return based on the maximum of a coupon or a participation in the growth of the underlying. The later the assets which make up the underlying cross a predetermined barrier level the higher the participation in the growth of the underlying.

Annual Management Charges

The charges levied every year for the length of investment. See the product description, for details on whether additional annual charges will apply. (Continuous products).

ARF

An approved retirement fund is an Irish fund allowing for tax-free growth of investments for pensions.

Asian Option or Style

Asian options are options that use averaging in determining either the strike price or the final settlement price.

Asset or Fund Manager

A financial institution that manages money on behalf of an external client.

At-the-money

A term used to describe any option that has its strike price close to the level of the underlying price.

Autocallable (see Knock-out as well)

A autocallable (or autocall) type product is a structured product which matures early if the underlying has risen to a specified level on a fixed date during the term.

For example, a growth product might offer a minimum return of 100% plus 100% of the rise in the FTSE100 index after six years but pay out 130% after three years if the index has risen by 30% or more at this date.

Averaging

Many structured products measure either the starting index level or the final index level (or both) using averaging. This means that the index levels used in the calculation of the product's final return are the average index levels calculated during some pre-specified period.

So for example, if the product uses a final index level that is the average taken over the last 12 months then this would mean that the level of the index is recorded every day (or possibly weekly or monthly)

Backtesting

The marketing material used to promote structured products often includes illustrations of how the product would have performed if it had been available at some time in the past. This analysis is called backtesting.

Back-to-back product

This is the term sometimes used to describe a product in which the investment is split between two separate elements. Typically, one element is a deposit of a one-year term paying a high fixed rate and the other element is a structured product linked to some underlying equity market.

Bankindskud

Deposit in Danish.

Barrier Level

A barrier or trigger level is a pre-specified level for the underlying that triggers a change in the potential product return.

Typically a barrier level is a feature of a high-income product or reverse convertible product. In these products it means that if the level is reached during

the term of the product then the investor is then exposed to a risk of capital being reduced if the underlying index finishes below its initial level.

In general barrier options are options that can only be exercised if the barrier level has either been reached or not been reached, depending on the condition of the contract, during the term of the option (see also knockout/knock-in).

Bear

A return based on a percentage of the fall in the underlying.

Bear spread

This is the name given to an option trading strategy that is designed to benefit from a fall in the stock market. The strategy involves buying a put option and selling another put option with a lower strike price.

BEL20

This is an index comprising the largest 20 stocks in Belgium.

Belgische bevek (Sicav belge)

Investment fund liable to the Belgian law. This is an investment fund in which the amount of capital in the fund varies according to the number of investors. Shares in the fund are bought and sold based on the fund's current net asset value.

Belgische verzekering (Tak 23) (Assurance belge (Br. 23))

Insurance investment where Belgian law is applicable.

Best-of Option

A best-of option is an option that is exercisable against the best performing of a given number of underlying shares or indices. For example a call option on the best of the FTSE100 and S&P500 would pay out on the index that rose the most during the term of the option. See also Worst-of option.

Bond Provider

The provider of a bond for the product. A bond is a type of debt security, where the issuer (corporate, government etc) has to pay bondholders a pre-agreed interest (coupon) or and repay the principal at a defined maturity date.

Bonds

A bond is debt issued by either a government or corporate entity. Bonds are often listed instruments and are traded on an exchange. Most bonds pay a fixed coupon or interest payment and have a finite term. The chance of a bond defaulting is often indicated by the credit rating (i.e. AA) given to the bond provider.

Bonds are often used in creating structured products (see Medium Term Note and Zero coupon bond).

Bono Estructurado

(Spanish) Structured bond.

As opposed to traditional fixed income instruments (bonds) where the interest is agreed upon at the time of issuance, the interest on structured bonds is dependent on an external financial variable - for instance, an index, an exchange rate or a commodity.

Bonus Level

The fixed capital return besides the nominal amount which investors receive at maturity provided a predetermined barrier has not been triggered during investment.

Bull Spread

This is the name given to an option trading strategy that is designed to benefit from a rise in the

Bull/Bear

A return based on a percentage of the rise, as well as a percentage of the fall, in the underlying.

CAC40

This is an index of shares of the largest 40 companies by market capitalisation in France.

Call Overwriting

A strategy, also known as Buy-Write or Covered Call writing, which generates a return from the purchase of an underlying share or shares and the simultaneous sale of a call option or options on that same underlying.

Call Option

A call option is a type of derivative that gives the holder the right, but not obligation, to purchase a set quantity of the underlying asset at a given price (the strike price) on or before a specified date (sometimes called the exercise date). Call options therefore benefit the owner if the price of the underlying rises.

If the underlying of the option is an index then typically the option will cash settle. This means that the seller will make a cash payment to the buyer equal to the difference between the final price of the index and the strike price multiplied by the notional size of the option.

So for example, the buyer of a call option on the FTSE100 index with a strike price of 4000 would receive a payment from the seller if the final index level was higher than 4000 on the maturity of the option. If the notional size of the option was £10m then if the final index level was 4800 i.e. a 20% rise, then the seller would pay the buyer $€10m \times 20\% = €2m$. If the index was lower than 4000 at maturity then no payment would be made.

Callable

A product that can be redeemed early by the provider.

Cancellable

See Callable.

Cap

Structured products provide for a minimum return irrespective of the performance of the underlying market to which the product is linked. In exchange for this protection however some products also specify a maximum return than can be paid should the market in fact rise. Such a maximum return is often called a cap and such products may be called capped.

For example a product might provide a minimum return of 100% of the sum invested at the end of five years plus 100% of any rise in the FTSE100 index with a cap at 60%. This means that if the index rise by 40% for example, the return from the

product would be 40%. However if it rises by 75% the return from the product would be capped at 60%.

Capital Return at Maturity

The actual final return generated by the product at maturity.

Capital-Protected

A capital-protected type of structured product is one that provides for a minimum return at maturity at least equal to the original sum invested.

It should be noted that such products only provide this minimum return if the product provider itself, or the underlying asset(s) that is purchased to provide the return, does not default.

Capped Call

A return based on a fixed participation in the rise of an underlying market that is capped at a fixed return.

Capped Call/Put

A return based on the rise (call) or absolute value of the fall (put) of an underlying, subject to a maximum capital return (cap).

Capped Put

A return based on a fixed participation in the absolute value of the fall of an underlying market that is capped at a fixed return.

Cappuccino

A return based on the assets of an underlying basket. Usually, an asset is considered to have a fixed growth if it hasn't fallen. Otherwise, the fall is recorded. Other structures are based on a pre-determined number of top-performing assets to be given a fixed growth, while the remainder assets are recorded at their performance, positive or negative. These products are also commonly referred to as "Fixed Upside" products.

Cash ISA

An ISA is an Individual Savings Account and is a type of tax-free savings product offered in the UK. A Cash ISA is essentially a deposit with a bank or building society that does not attract tax. Individuals can only invest a limited amount each year in a Cash ISA, currently €3000.

Category

This signifies whether a product is an Offshore, (Domestic) Retail, Institutional or Private Banking offering.

CECEEUR

A capitalisation-weighted index of blue chips in Hungary, Poland and the Czech Republic.

Certificado

(Spanish) Certificate.

Certificado Bursátil

(Spanish) Securitised assets wrapped in a certificate. Local wrapper in Mexico.

Certificado de Depósito Bancario

(Spanish) Bank certificate of deposit. Local wrapper in Mexico.

Certificat

(French) Certificate.

Certificate

A type of security issued by a bank that provides a return linked to one or more underlying indices, prices, rates or other financial variables. Certificates are either leverage or investment products and are typically listed on exchanges with a secondary market being supported by the provider.

Certificate of Deposit (CD)

Type of debt instrument offered by US banks. CDs are FDIC-insured (US federal corporation that insures bank deposits up to \$100,000 per Social Security number).

Certificato di Deposito

(Italian) See definition for Certificate of deposit.

Certifikat

(Danish) Certificate.

Certyfikat depozytowy

(Polish) See definition for certificate of deposit.

Certyfikat Inwestycyjny

Investment certificate in Poland.

Chránený Fond

A partially-protected fund for the Czech Republic.

Click Fund

A fund using a combination of a static bond and a call mechanism to achieve portfolio protection. The ratio of risky to non-risky assets is fixed, with a regular (usually monthly) rebalancing of the assets according to that ratio.

Cliquet

A cliquet is the name given to a type of structured product where the return is calculated from the performance of the underlying in a number of sub-periods during the term of the product.

For example, a five-year maturity Cliquet product linked to the FTSE100 index might offer investors a minimum return of 100% of the sum invested at the end of five year plus a bonus calculated as the sum of the individual performances of the index in each year of the five year term.

In many cases the performance of the underlying would be limited, or capped, in each sub-period. This is sometimes called a Local Cap. There may also be a limit on the size of any falls in the sub-periods that are used in the calculation of the final return. Such a limit is sometimes called a Local Floor.

If we assume that the example product described above has a local cap of 10% and

a local floor of -10% then the table below illustrates how the return would be calculated.

Sometimes a Cliquet product will have a minimum return greater than 100% of the sum invested. In this case if the calculated sum of sub-period returns is less than this specified minimum return, then the minimum return is paid anyway.

Finally, some Cliquet products have no local floor ie any size of fall in any sub-period will be used in the calculation. Such products are sometimes called Downside Cliquets.

Closed-Ended Investment Company

Many structured products are offered to investors in the form of shares in a Closed-Ended Invested Company. Such a company is simply a corporate entity that is set up solely for the purpose of providing the specified investment return.

A Closed-Ended investment Company will have a limited offer period meaning that investment can only be made during a limited time period. It will also have a limited term meaning that it will be designed to be liquidated at a pre-specified date in the future in order to pay out the pre-specified return to the shareholders.

Closing Index Level

This is the level of the index taken at the time when the stockmarket is closing. As it is the final published level of the index and it is often used for reference purposes.

Collateral

Providers of structured products typically enter into derivative contracts to ensure that they are able to generate the return that is being offered to their investors. Since the term of most structured products is many years there is a risk that the derivative counterparties may default.

To mitigate this risk in many cases the derivatives provider will post collateral in the form of cash, bonds or even shares, with a third party or custodian. The value of this collateral will be adjusted so that it is always equivalent to the cost of replacing the derivative should they go into default.

In this way the product provider knows that should his derivative counterparty default, he will have access to sufficient liquid assets, via the third party or custodian, such that they can be sold in order to purchase another derivative contract to cover the remaining term of the product.

Commercial Bank

A financial institution that focuses on corporate clients.

Commission

Commission paid on the product. This could include Independent Financial Advisers commission (paid upfront, on a trail basis or as a combination of both), underwriting commission or sales commission.

Commodities

Underlying is composed of physical commodities such as energy products, metals or agricultural products

Constant Proportion Portfolio Insurance (CPPI)

This is the name given to a trading strategy that is designed to ensure that a fixed minimum return is achieved either at all times or more typically, at a set date in the future.

The strategy involves continuously re-balancing the portfolio of investments during the term of the product between so-called risky assets (usually shares) and non-risky assets (usually bonds or cash).

As the value of the risky assets rise so more of the portfolio is placed in these assets but conversely as they fall in value, more of the portfolio is placed in the non-risky assets. By following the rules set out by the strategy the minimum return can be achieved as long as the value of the risky assets does not fall too sharply. In this case however the product provider offering such a product would rely on a guarantee or option provided by a third-party bank to ensure that the minimum return was achieved.

The key features of CPPI based capital protected products as opposed to option-based products are:

- a participation in any rise in the underlying is not fixed upfront;
- It is possible to have a higher initial participation than with an equivalent option-based product.

Continuous Product (see also Open-Ended Product)

Continuous products are products which have no fixed subscription period or maturity date.

Structured products that are available for investment during a limited period only are called tranche products.

Do note that "Leverage" and "Flow & Others" products are not considered as being "Tranche" or "Continuous" in our "Product Style" categorisation.

Counterparty Risk

The risk of a counterparty defaulting on a transactional obligation resulting in consequential loss to the other counterparty.

Credit

The risk of default (credit risk) associated to various companies

Credit Default

A product linked to the risk of default (credit risk) from usually a basket of companies.

Credit Rating

The Credit Rating of the provider(s) of the bond(s) underlying the product by a credit rating agency such as Moody's or Standard & Poor's.

CUSIP

An US identification number assigned to each fund by the Committee on Uniform Security Identification Procedures.

Database

The products on the website are stored in individual databases. Users subscribe to access one or more databases. For most databases, the database name signifies the country or region where the products are being distributed. However the "Offshore, Private Banking & Institutional" database contains retail products which are offered in the offshore markets as well as non-retail products targeted at private banking and institutional markets.

DAX30

This is an index of shares of the largest 30 companies by market capitalisation in Germany. This index is a total return index meaning that its calculation includes the dividends paid as well as the value of each of the shares.

Debenture

A kind of bond.

Decrement (index)

Decrement (aka synthetic dividend) indices are optimised gauges tracking a benchmark where the future dividend is fixed in advance. Strictly speaking, they reinvest the dividends paid by companies in the benchmark with a constant dividend markdown expressed as a fixed percentage or index points that are subtracted on an accrued basis. In most cases, this dividend is accrued daily based on the performance of the index.

Deferred Purchase Agreement

A deferred purchase agreement is an agreement entered into by the provider and investor whereby the investor will gain notional exposure to the performance of the underlying asset. Upon maturity, investors may either accept physical delivery of the delivery assets on the settlement date or receive the sale proceeds in the form of cash equal to the final value of the investment. The delivery asset may take the form of shares or units in a fund.

Deposit

This is a bank or building society deposit or savings account.

Depósito Estructurado

(Spanish) Structured term deposit account.

Dépôt

(French) Deposit account.

Derivative-Linked Security (DLS)

A Derivative-Linked Security is a debt instrument with variable payments linked to a financial derivative instrument.

Derivatives

Derivatives are financial products that derive their value from the price of some other underlying asset or index.

Typical derivative products are futures and options contracts.

Derivatives are either traded on an exchange, in a similar way to shares, or entered into bilaterally between two companies i.e. over-the-counter.

Derivatives Counterparty

The derivatives counterparty or counterparties through whom the product was hedged.

Digital

A digital type structured product is one that pays out a fixed amount if the underlying is above (or below) a specified level on a given date, usually the maturity date of the product.

A typical example is a product that pays a minimum return at maturity of 100% of the amount invested plus a bonus of 50% if the final level of the FTSE100 is above its initial level at maturity. In this case the bonus is paid as long as the index has risen, by any amount, at maturity so that the 50% bonus is paid if the index rise by 1% or 100% over period.

Dispersion

A return based on the spread between the performance of different shares within a basket. For example, the return may be based on the share in the basket with the smallest absolute performance in comparison to its initial level or the absolute value of all share performances compared to the overall basket performance.

Distribution Channel

The distribution channels through which the product is being offered. The available distribution channels are shown below:

Direct

Sales are made directly to the end investor via the internet, the telephone or post.

Financial Advisers

Sales are made via independent advisers that are not employed by the Provider or Provider Group, sometimes paying a commission on the amount invested.

Salesforce

Sales are made via a tied salesforce owned by the Provider or Provider Group, often based in bank branches.

Dividend

A return based on the actual dividend yield on the underlying index or shares

Dlhopis

(Slovakian) Medium-term note.

Doplnkový dôchodkový Fond

(Slovakian) Pension fund.

Dow Jones Eurostoxx50

The Dow Jones Eurostoxx 50 index is an index of shares of the largest 50 companies weighted by market capitalisation in the countries of the Euro zone.

Dow Jones Industrial Average

The Dow Jones Industrial Average (DJIA) is a stock index consisting of 30 of the largest and most widely held public companies in the United States.

Downside Cliquet

This is a type of cliquet product where there is no minimum fall in any sub-period used in calculating the return.

Downside Gearing

In many high income products and some other forms of structured product, the capital invested is at risk if the underlying fails to rise over the term of the product.

Downside gearing refers to the gearing applied to any fall in the underlying index in calculating the amount of capital that is returned if the underlying fails to rise.

For example, a product with 100% downside gearing would apply a 1% reduction in capital for every 1% fall in the underlying index. So if the index fell by 20% then only 80% of the investor's capital would be returned.

A product with 200% downside gearing however would apply a 2% reduction in capital for every 1% fall in the underlying index. In this case a fall of 20% in the index would result in only 60% of the investor's capital being returned.

Dual Currency

A return at maturity which is either in the original currency or an alternate currency at a rate of exchange fixed upfront and at the choice of the product provider.

Dublin Structure

Many structured products offered in the UK make use of Close-ended Investment Companies. These companies are often corporate entities that are registered in foreign centres such as Dublin, Jersey or Guernsey, since these centres often provide a more flexible environment and lower tax charges.

One of the most popular locations has been the Dublin registered company or Dublin structure. This type of company, first used in 1995, has been used by a large number of UK product providers to create.

Enhanced Tracker

A growth product that tracks both the rise and fall in the underlying without downside protection, typically with a high participation in the rise (often capped) of the underlying.

Entidad de Previsión Social Voluntaria de Euskadi (EPSV)

(Spanish) An Entidad de Previsión Social Voluntaria de Euskadi is a pension product available to residents of the Basque Country only.

Equity (Index Basket)

An underlying composed of more than one equity index.

Equity (Share Basket)

An underlying composed of shares of more than one company.

Equity (Single Index)

Underlying is composed of one equity index

Equity (Single Share)

Underlying is composed of shares in one company

Equity Indexed Annuity

A US insurance product where the principal investment is protected from losses, while gains are indexed to the rise in the equity market in a formulaic way.

Equity-Linked Deposit (ELD)

An Equity-Linked Deposit is a debt instrument with variable payments linked to an equity market benchmark.

Equity-Linked Fund (ELF)

An Equity-Linked Fund comprises debt instruments with variable payments linked to an equity market benchmark.

Equity-Linked Investments (ELI)

Equity Linked Investments are structured products involving derivatives.

Equity-Linked Security (ELS)

An Equity Linked Security is an investment with interest payments tied to an equity benchmark/index.

Estimated Initial Value

Is equal to the sum of the issuer's valuations of the components of the product, the bond and the embedded derivative(s), on the trade date. In Germany this value is called Issuer estimated value.

Euro MTS

Index of the performance of the eurozone government bond market.

European Dividend Futures 2017 (USD) Index

The index aims to replicate the returns of a notional investment in a euro-denominated listed futures contract traded on the Eurex Exchange (Futures Contract) that has a final settlement price based on the EURO STOXX 50 DVP (Dividend Index), while attempting to mitigate exposure to fluctuations in the value of the European Union euro relative to the U.S. dollar. The Index was developed by Solactive AG (Index Sponsor), in coordination with JPMS, and is calculated, maintained and published by the Index Sponsor.

European Option or Style

A European style of option is one that can only be exercised on its maturity date.

Everest

An Everest type of structured product is one that typically returns a minimum of 100% of the sum invested at maturity plus a bonus equal to a fixed amount plus the worst performing underlying from a given basket of underlying assets or indices.

For example a typical product might have a five-year maturity and be linked to the FTSE 100, Nikkei 225 and S&P 500. At maturity the investor would receive 100% of his initial investment plus a bonus equal to 50% plus the worst performing of the three indices. If all the indices rise then the potential bonus could be greater than 50% but if the worst performing index has fallen then this return is subtracted from the 50% figure although a minimum return of 100% of the investment is always returned.

So in this example, if the FTSE 100 had risen 25%, the Nikkei 225 had fallen by -15% and the S&P500 had risen 30% then the investor's return would be 100% of his initial capital plus a bonus of 35% i.e. 135% of the sum invested.

Exercise Date

The exercise date is another name for the maturity date of an option i.e. the date on which the holder can exercise the option (or the last such date for an American style option).

Exercise Price

The exercise price for an option is another name for the strike price.

Exotic

A return based on a sophisticated combination of two or more product types. They include a wide variety of options with non-standard payout structures or other unusual features.

Expiry Date

The date when the product ceased to be active, if different from the maturity date. For leverage products, this could be the date when the stop-loss barrier was breached. For other products, it could be for example the date when the product was withdrawn by the provider, or ceased accepting new investors.

Final Index Date

The date when the final level of the equity index is recorded.

Final Index Level

This is the final level of the underlying index used in calculating the return from a structured product.

Often the final index level is the average level of the index calculated over, say the final 12 months of the term of the product (see averaging).

Fixed Upside

A return based on the assets of an underlying basket. Usually, an asset is considered to have a fixed growth if it hasn't fallen. Otherwise, the fall is recorded. Other structures are based on a pre-determined number of top-performing assets to be given a fixed growth, while the remainder assets are recorded at their performance, positive or negative

Fixings

In most structured product the calculation of the final return is based on the movement of some underlying price or index. In order to determine this movement the level of the underlying must be taken at specific times (usually at the start and

end of the product's term). These price or index levels, used in calculating the return, are sometimes called fixings.

Flip Flop

A return based on a fixed interest rate for an initial period, followed, at the discretion of the provider, by a variable coupon usually linked to Euribor or similar other interest rate indices. Once the provider has made the switch to the variable coupon payment, all future coupons will be interest-rate linked. These products are also known as Flipable or Switch.

Floater

An income product offering a coupon that rises when the underlying reference rate rises. The coupon is calculated as a fixed rate plus the floating reference rate.

Floor

This type of open-ended fund allows for a protected level to be set at regular intervals, typically once a year. Most of the investment will be placed in equities, the rest in buying put options and selling call options.

Floor Fund

This is the name given to a particular type of structured product that offers a minimum return, usually at least the sum invested, plus some additional return based on the performance of the stock market. The key feature of this particular product is that it has no defined term i.e. it is open-ended so investments and redemptions can be made at any time.

The fund (it is usually a Unit Trust or OEIC) invests primarily in shares and purchases put options to protect this share portfolio in the event of any fall in the stock market. Often the cost of these put options is recouped by selling call options on the shares that are held in the fund.

Flow & Others

Highly standardised structured products, usually issued in large numbers and on a regular basis.

Sweden Exchange-listed products that do not have a primary subscription period.

Fondo

(Spanish) Fund.

Fondo Garantizado RF

(Spanish) Money Market Capital-Protected Fund, an investment vehicle whose management is entrusted to a regulated body, or “Sociedad Gestora de Instituciones de Inversion Colectiva”. It will usually guarantee 100% capital and a number of income coupons over the investment term.

Fondo Garantizado RV

Equity Capital Protected Fund, an investment vehicle whose management is entrusted to a regulated body, or “Sociedad Gestora de Instituciones de Inversion Colectiva”. It will usually guarantee 100% capital with participation in the upside of an underlying.

Fondo Global

Fund whose capital is invested into a number of other Funds.

Fondo Mutuo

Chilean Guaranteed Fund

Fondo Renta Variable

Fund which invests the totality of its capital in equity markets.

Fonds

(French) Fund.

Fonds Commun de Placement (FCP)

A Fonds Commun de Placement or “unincorporated investment fund” is an investment vehicle whose management is entrusted to a regulated body or “société de gestion”.

Fonds Commun de Placement en Entreprise (FCPE)

A Fond Commun de Placement en Entreprise is a fund which is only open to investment by the employees of a company or a group of companies.

Fonds Voor Gemene Rekening

(Dutch) Investment fund without corporate capacity. It issues participations and is characterized by an investment manager that has responsibility for its investment policy and a custodian in charge of the safe custody of the securities.

FTSE 100

The FTSE100 index is an index of shares of the largest 100 companies weighted by market capitalisation in the UK.

FTSE Eurotop 100

The FTSE Eurotop 100 index is an index of shares of the largest 100 companies weighted by market capitalisation in Europe.

FTSEurofirst80

Index of the top 60 shares by market capitalisation from the Eurozone, plus 20 shares from under-represented sectors of activity.

Fund

A fund is a collective investment scheme whereby individuals typically purchase units in a fund that invests in a range of assets on behalf of the unit holders.

Fundo

Fund in Portuguese

Fundo de Investimento

Investment Fund in Brazil

Fundusz

(Polish) Fund.

Futures

A futures contract is a form of derivative contract, typically traded on a regulated exchange. The contract allows the buyer for example, to fix a price now for the underlying at a set date in the future. If the price on that date is higher than the purchase price of the futures contract then the buyer will make a profit but conversely if the price is lower then he will make a loss. Profits and losses are exactly proportional to the size of the futures position and the final level of the underlying.

Futures contracts allow buys and sellers to take a view on whether the reference underlying index, price or rate will rise or fall before the contract expires.

Typical futures contracts are referenced to equity indices such as the FTSE100 or S&P500, government bond prices such as Gilts or US Treasury Bonds, and interest rates such as sterling LIBOR.

Garantovaný Fond

Guaranteed Fund

Geared Reverse Convertible

This is a type of reverse convertible high-income product. The distinction with the “Geared” version is that if the underlying index is lower than its starting level at maturity then the investor's capital is reduced on a greater than one-for-one basis.

For example, a geared product with 200% gearing would result in capital being reduced on a 2:1 basis. In other words if the underlying index had fallen by 15% over the term of the product then only 70% of the investor's capital would be returned. In this case the product could be described as having 200% downside gearing.

Gearing

The term gearing refers to the leverage or exposure that a product has to movements in the underlying index.

A product with 100% gearing would generate a return exactly equal to any rise of the underlying index i.e. a 45% rise in the index would produce a 45% return from the product. A product with only 75% gearing would produce a return equal to only 75% of the return produced by the underlying index and similarly a product with 200% gearing would produce a return equal to twice any rise in the index.

Sometimes the term participation is used also used to refer to a product's gearing. See also downside gearing.

Gilts

A Gilt is the name given to a bond issued by the UK government.

Global Floor

This is a term associated with cliquet products. Such will sometimes provide a minimum return that is more than just the full return of the capital invested. In this case it would have a global floor of something greater than 100%.

For example a cliquet that offered a minimum return of 105% of the sum invested would have a global floor of 105%.

Gross Margin

The gross margin, before commissions and other costs, that the product generated. This can be entered either as an upfront figure i.e. 4.50% or as an annualised figure, for example as a spread to LIBOR i.e. 0.50% pa.

Growth

A structured product typically providing a minimum fixed return at maturity plus a variable amount linked to one or more underlying equity market.

Growth and Income Product

Some types of structured product are offered with a linked fixed rate investment, usually a deposit paying a higher than market rate of interest. These products are sometimes called back-to-back products.

To differentiate these products from both standard growth products and structured income products, we term such products Growth and Income products.

Growth Product

A growth product is a type of structured product that produces all its return at maturity with no payments of income during the product term.

A growth product is often, but not always, a product that provides a minimum return of 100% of the sum invested.

Guaranteed Investment Certificate (GIC)

A Guaranteed Investment (Interest) Certificate is a deposit investment security sold by Canadian banks and trust companies. It is guaranteed by the provider and the

principal is insured (subject to certain limits) by a deposit insurance agency such as the Canada Deposit Insurance Corporation.

Ibex 35

Index of the top 35 shares by market cap listed on the Spanish Stock Exchange.

Implied Volatility

The implied volatility of a share, index or any other asset price is the name given to the expected volatility that this share or index is anticipated as having over some future period (see Historic Volatility).

This term derives from the pricing of financial options as it is the number used by option traders to calculate the price of any option when all the other factors involved are known.

Income Product

This is the name given to any type of structured product that provides a periodic payment of income. Often the rate of income is higher than the general rate of interest available of fixed rate Deposits and there is therefore a risk that the initial capital invested may not be returned in full (see high income product and Reverse Convertible).

Income Type

The income type category indicates whether the income is fixed or whether it is variable throughout the investment period. Mixed income refers to products with a combination of both fixed and variable income types.

Indeksobligasjon

Structured bond in Norwegian

Indeksopsjon

(Norwegian) Certificate.

Inflation

Increase in the general price level of goods and services.

Initial Charges

The one-off charges levied when investment is made in the product. See the product description, for details on whether additional initial charges will apply (Continuous products).

Initial Index Level

With most structured products, the performance of the investment is linked to the movement of an underlying index or share. In order to measure this performance the level of the underlying is recorded at the start of the investment term. This recording is called the initial index level.

There are a wide variety of methods for calculating this level. It may simply be the level of the index at the close of business on one specific day or in other cases it could be the average level calculated over the first month or more.

Initial Measurement Period

The initial measurement period is the period at the start of the investment term, during which the initial index level is recorded. This could be just one day or several weeks or even months.

Initial Strike Date

The date when the first fixing is taken for calculating the initial level of the underlying.

Insurance Company

A financial institution whose main activity is providing insurance.

Interest Rate

Underlying is composed of one or more interest rates or bond prices/yields

International Securities Identification Number Code (Isin)

The Isin Code is a 12-character alpha-numerical code that does not contain information characterising financial instruments but allows for uniform identification.

International Swaps and Derivatives Association (Isda)

Isda is a trade body that represents participants in the wholesale over-the-counter derivatives market. It has been primarily involved in standardising the documentation used for OTC derivative products and the Isda master agreement, and its associated documentation, has become the industry standard.

In-the-money

This is the term used to describe any option which has a strike price that is far below (for a call option) or above (for a put option) the current level of the underlying.

So for example a call option on the FTSE 100 index with a strike price of 3500 would be called in-the-money if the current level of the FTSE 100 was 4500.

Intra-day Fixing

The return from some structured products is dependant on the level of the underlying measured at any time during the day during a specified period, usually near the end of the investment term.

An intra-day fixing is simply the level of the underlying sampled during the business day, as opposed to, for example, at the close.

An example of the use of intra-day fixings is when the final index level for a product is calculated as the lowest level of the underlying at any time during say the last six weeks of the investment term.

Intrinsic Value

This is a term used when describing the premium of an option. The intrinsic value of an option is that element of the option's premium that represents the value that the option would have were it to be exercised immediately.

So, for example, let us assume that HSBC shares were currently trading at a level of 750p per share. A call option on HSBC with a strike price of 700p per share would have an intrinsic value of 50p per share.

The value of an option i.e. its premium, is always at least equal to its intrinsic value.

Investičné životné poistenie

(Slovakia) Life insurance.

Investiční certifikát

(Czech Republic) Investment Certificate.

Investiční Životní Pojištění

(Czech Republic) Life insurance.

Investment Bank

A financial institution that raises capital, trades in securities and advises on mergers and acquisitions.

Investment Trust

UK corporate structure designed for investments. Typically shares in the Trust are listed on the London Stock Exchange.

IPS

Individuellt pensionssparande (IPS) is an individual pension savings scheme available in Sweden.

ISA - Cash

Cash type Individual Savings Account. A UK tax free deposit product.

ISA - Tax-Exempt Special Savings Account Only

A cash type Individual Savings Account available only for investment of maturity tax-exempt special savings account (Tessa) money.

ISA (Individual Saving Account)

An Individual Savings Account (ISA) is a UK savings product that allows individuals to earn a tax-free return. The amount invested in an ISA is limited to a fixed amount in each tax year. In addition only certain qualifying investments are able to be held within an ISA and each has specific limits too.

The ISA product replaced the PEP and TESSA products previously available in the UK.

Kicker

A kicker is a term sometimes used to describe an additional bonus payment that is received at maturity of a structured product if the underlying rises by a significant amount.

For example, a growth product might offer a kicker equal to an extra 10% return payable if the underlying doubles over the term of the investment.

Kilimanjaro

A return linked to the performance of a basket (usually a share basket) from which the lowest performing assets as well as the best performing assets have been progressively eliminated, or ignored from subsequent calculations, during the investment period.

Knock-Out (also see Autocallable)

A knockout call type product is a structured product which matures early if the underlying has risen to a specified level on a fixed date during the term.

For example, a growth product might offer a minimum return of 100% plus 100% of the rise in the FTSE100 index after six years but pay out 130% after three years if the index has risen by 30% or more at this date.

Knock-Out / Knock-In

A knock-out or knock-in feature is a characteristic of a structured product whereby the return is dependant on the underlying reaching, or not reaching, a pre-specified level at some time during the term of the investment.

An example would be a reverse convertible where the risk to capital only arises if the underlying falls by a fixed amount at some time during the term of the investment. This level is called the barrier level and if the underlying reaches this level then the derivative or option that is used to create the product is said to have knocked in.

Knock-Out Date

The date at which the knock-out feature could be activated, provided the knock-out level is reached.

Knock-Out Level

The level, expressed as a percentage above the strike level, which the underlying needs to reach at the knock-out date in order to activate the knock-out feature.

Knock-Out Payout

This is the amount received by the investor shortly after the knock-out date, expressed as a percentage of the capital invested, if the knockout feature has been activated.

Ladder

If the price of the underlying assets rises above a certain threshold level during the product term, investors are then guaranteed a minimum payout at maturity, even if the price subsequently falls. There may be a number of such steps. Investors can therefore lock in the increase in value.

Ladder Option

A ladder option is a type of call option that locks in the return as the underlying rises. It is used to create structured products that provide a lock-in of the return as the underlying rises.

For example, a product might offer 100% participation in any rise in the FTSE100 index but with the additional feature that each 10% rise is locked-in. This means that even if the index subsequently fell back, the minimum return would be increased by the highest level that had been locked-in during the investment term.

Launch Date

Date when the product was first available for investment (Continuous products).

Leverage

Products that provide leverage long or leverage short position in an underlying, usually including a stop-loss feature. These products are typically known as turbos.

Leverage Long with Stop Loss

The product provides a return equivalent to a leveraged long position in an underlying. If the underlying falls to a specified stop loss level the product ends and returns the original investment less the leveraged loss at that time. The Stop Loss level is adjusted every month depending on the level of the underlying and the implied financing of the leveraged position.

Leverage Short with Stop Loss

The product provides a return equivalent to a leveraged short position in an underlying. If the underlying rises to a specified Stop Loss level the product ends and returns the original investment less the leveraged loss at that time. The Stop Loss level is adjusted every month depending on the level of the underlying and the implied financing of the leveraged position.

Leverage with Stop Loss

The product provides a return equivalent to a leveraged long or short position in an underlying. If the underlying rises (leverage short) or falls (leverage long) to a specified Stop Loss level the product ends and returns the original investment less the leveraged loss at that time. The Stop Loss level is adjusted every month depending on the level of the underlying and the implied financing of the leveraged position.

LIBOR (London Interbank Offered Rate)

It is the benchmark interest rate at which the wholesale banks lend money to each other in the money markets. It is set each day at 11am London Time and there are different rates for different maturity loans i.e. one month, three month, etc.

Life Bond

A Life Bond is a term used to describe a life insurance policy that provides a fixed or variable return based on the performance of underlying funds (unit-linked) or based on a Life Company guarantee (index-linked).

The returns on an onshore, UK-based, Life Bond are net of basic rate tax for a UK investor.

Life Insurance

Life insurance contract

Listed

The note is listed on a stock exchange and can be bought/sold there

Local Cap

The term local cap is used to describe a feature of a cliquet product. It is the maximum return in each period of the product that is used in calculating the overall return (see cliquet).

Local Floor

The term local floor is used to describe a feature of a cliquet product. It is the minimum return in each period of the product that is used in calculating the overall return (see cliquet).

Lokata

(Polish) Deposit.

Long

A “long” position is the term used to describe a situation where one is holding i.e. one has purchased, a quantity of some financial asset i.e. a share, bond or derivative.

For example, if one is “long of £1m of HSBC options”, it means one is the owner of £1m of HSBC options.

Lookback

See Hindsight option.

Lux. verzekering / Assurance luxembourgeoise

Assurance investment where Luxembourg law applies.

Luxemburgse bevek / Sicav luxembourgeoise

Investment fund based on Luxembourg law. This is an investment fund in which the amount of capital in the fund varies according to the number of investors.

Maturity Date

The maturity date of a product is the date on which the investment is repaid.

Maximum Return

Some forms of structured product have a maximum possible return irrespective of the performance of the underlying. Usually this occurs when the product has an explicit cap or maximum return so that any further increase in the underlying have no impact on the product return.

For example, a product might offer a minimum return of 100% of the sum invested plus 100% of any rise in the FTSE100 index capped at 150%. This means that the maximum return on the product is 50% plus the original capital. So even in the FTSE100 doubled over the term the investor would only receive a return of 150% of his initial investment.

Medium-Term Note (MTN)

A Medium-Term Note is a type of bond. They are usually issued by regular borrowers in the capital markets such as banks, large corporations and supranational bodies.

MTNs are designed to be very quick and cheap to issue compared to normal bonds. This is because much of the legal and regulatory expense is incurred when the MTN program is set up and so each individual issue of MTNs has a relatively small amount of documentation required.

MIB (Milano Italia Borsa)

Index of the top 30 shares by market cap listed on the Italian Stock Exchange.

Napoleon

A product paying a fixed coupon plus the worst of the performance of a basket of underlying shares or indices.

Nasdaq 100

The Nasdaq 100 index is an index of shares of the largest 100 companies weighted by market capitalisation, listed on the US Nasdaq exchange. Most of these companies are technology companies.

Nasdaq US Buyback Achievers Index

The Index is comprised of US securities issued by corporations that have effected a net reduction in shares outstanding of five percent or more in the trailing 12 months. The index began with a base value of 4694.06518327 on 20 December 20 2006.

New Individual Savings Account (Nisa)

A NISA is a tax free UK savings product with increased limits and greater flexibility than the old ISA. Account holders can divide their savings between a Cash NISA and Stocks & Shares NISA in one single account. The NISA (New ISA) has replaced the old ISA from July 2014.

Nikkei 225

The Nikkei225 index is an index of shares of the largest 225 companies in Japan. Note that this index is not weighted by market capitalisation.

Note

A debt security usually maturing in one to 10 years and offering no or partial principal protection.

Notice COB

Product details as agreed by the French regulator, the AMF.

Obbligazione

(Italian) Structured bond.

Obligacja

(Polish) Medium-Term Note.

Obrigações

(Portuguese) Obligation.

Offer Close Date

The date when the offer closes for investment.

Offer Open Date

The date when the offer opens for investment.

Offer Period

Most structured products are tranche products, meaning that they are only available for a limited period. This period, which is usually around 4 to 8 weeks, is called the offer period and is the period during which the product is available for investment.

Offshore

Offshore products are those that are regulated outside of the UK. They are typically set up in centres such as Jersey, Guernsey or the Isle of Man. These products have different tax implications to onshore products.

Offshore Deposit

Offshore Bank or Building Society deposit account.

Offshore Fund

Offshore Fund

Offshore Life Bond

Offshore Life Assurance Bond

Onshore Life Bond

Life Bond set-up within the target country of distribution

Open-Ended Investment Company (OIEC)

A type of investment company with no fixed maturity date. Shares are typically listed on a stock exchange and can be bought or sold on a continuous basis.

An OEIC is a form of mutual fund offered in the EU that satisfies certain regulations regarding the composition of the underlying assets, pricing, availability, etc.

In the UK many funds that were previously structured as Unit Trusts have converted to OEICs in order to have a single price rather than two prices for buying and selling units.

Open-Ended Product

Some structured products are open-ended products, meaning that they are available for investment for an unlimited period. They are also known as continuous products. Structured products that are available for investment during a limited period only are called tranche products.

Do note that "Leverage" and "Flow & Others" products are not considered as being "Tranche" or "Continuous" in our "Product Style" categorisation.

Opening Index Level

This is the level of an equity index calculated at the start of the trading day. It is not necessarily the same as the initial index level used in calculating the return on a structured product.

Option

An option is a form of derivative contract. The owner of an option has the right, but not the obligation, to buy or sell a fixed quantity of some underlying asset or index, at a fixed price, on or before a given future date (see call option and put option).

Others

Underlying is composed of non-traditional asset classes such as sport, temperature, election results, etc

Out-of-the-Money

This is the term used to describe any option which has a strike price that is far above (for a call option) or below (for a put option) the current level of the underlying.

Participation

Many structured products provide a minimum fixed return plus an additional return calculated by multiplying any rise in the underlying index by a fixed percentage. This percentage is often called the participation or participation rate.

For example, a typical product would offer a minimum 100% return of capital at the end of the investment term, plus 80% of any rise in the FTSE100 index. So if the index rose by 40% over the period then the investor would receive back his initial capital in full plus an additional return of 32% (i.e. 80% of 40%). The participation in this example would be 80%.

Payoff

This is a general term often used to describe the return that is provided by a structured product or an option. So for example, one could say that the payoff of a product is equal to 100% plus 80% of the rise in the underlying index.

Payout

This term has a similar meaning to payoff.

Pension

Pension product

Pension Company

A financial institution whose main activity is providing pension products.

Pensionsopsparing

Danish pension deposit

PEP (Personal Equity Plan)

This is a tax efficient savings product launched by the UK government in 1987. All qualifying investments held in the plan were free of income and capital gains tax but there was a limit on the amount that could be invested each year.

PEPs were replaced by ISAs in 1999 and existing PEP investments can be switched into new ISAs.

Plan de Pensiones

Spanish pension product.

Plan d'Epargne d'Actions (PEA)

(French) Plan d'épargne d'actions. A financial product which enables the buyer to take advantage of a specific tax treatment when buying a portfolio of European shares.

Podium

A return based on a series of coupons. The value of each coupon is determined by the number of assets (usually stocks) which meet certain performance criteria. The coupons are rolled up and paid out at maturity.

Polisa inwestycyjna

Life insurance in Poland.

Polisa na Życie z UFK

A life insurance policy linked to the insurance capital fund in Poland.

Polizza di assicurazione

(Italy) A mortgage-wrapped product where repayments vary according to the performance of the underlying.

Portfolio Insurance

See Constant Proportion Portfolio Insurance (CPPI).

Power Option

A return based on a variable participation in the rise or fall of an underlying, where the participation rate increases alongside the rise or fall in the underlying. Examples of such products include Asian Call Squared products

Power Reverse Dual Currency

A dual currency product for which the return at maturity is either in the original currency or an alternate currency at a rate of exchange fixed upfront and at the choice of the product provider. In addition, the product offers an initial fixed coupon, followed by variable coupons linked to FX rate movements during the investment period. This product is usually associated with a callable or knock-out feature.

Precipice Bond

A precipice bond is a name that has been given to various types of high income product. Originally the name was given to products offered in the UK in the mid-1990s that offered a high fixed income but in which a small fall in the underlying index would result in a large loss of capital.

More recently the same name has been given to Reverse Convertible products.

Preference Shares

Preference Shares are a special class of share which pay a fixed rate of interest. They are generally regarded as slightly lower risk than ordinary shares.

Premium

This is another word for the price paid for a financial option.

Principal-Protected Note (PPN)

A Principal-Protected Note is a fixed income security that guarantees a minimum return equal to an investors initial investment (the principal amount).

Private Bank or Wealth Manager

A financial institution that focuses on private banking and high-net-worth clients.

Profiled

A return based on the performance of different baskets, each linked to the same underlyings but in varying weights within each basket.

Protected Tracker

A protected tracker is a type of structured product that provides a degree of capital protection together with participation in any rise in the underlying index.

There are many variations but typically the product might offer a return equal to 200% of any rise in the FTSE100 and full capital protection unless the index falls by more than 50% during the investment term and fails to recover by maturity. If this did occur then the capital return would be reduced on a 1:1 basis for the fall in the FTSE100 index.

See also Airbag, Super Tracker and Tracker products.

Protection Level

The protection level is the level of the underlying index that, once breached, could result in a loss of capital. See hard protection and soft protection.

Put Option

A put option is a type of derivative that gives the holder the right, but not obligation, to sell a set quantity of the underlying asset at a given price (the strike price) on or before a specified date (sometimes called the exercise date). Put options therefore benefit the owner if the price of the underlying falls.

If the underlying of the option is an index then typically the option will cash settle. This means that the seller will make a cash payment to the buyer equal to the difference between the final price of the index and the strike price multiplied by the notional size of the option.

So for example, the buyer of a put option on the FTSE100 index with a strike price of 4000 would receive a payment from the seller if the final index level was lower than 4000 on the maturity of the option. If the notional size of the option was £10m then if the final index level was 3200 i.e. a 20% fall, then the seller would pay the buyer $£10m \times 20\% = £2m$. If the index was higher than 400 at maturity then no payment would be made.

Qualified Domestic Institutional Investor Scheme (QDII)

This is a scheme in China that has been set up by the government to allow domestic investors to access overseas markets.

Qualifying Investment

A qualifying investment is one that satisfies the rules laid down by the Inland Revenue for investments into PEP or ISA products.

Quanto Option

A quanto option is the name given to a type of option that is denominated in a currency other than the natural currency of the underlying. In particular, the payout of a quanto option does not depend upon the movement of the exchange rate between the two currencies.

For example, an option on the S&P500 index that is denominated in British Pounds is a quanto option if the return is simply based on the movement of the index and not the movement of the index and the movement of the sterling/dollar exchange rate.

Rahasto

(Finnish) Fund.

Rainbow

A return based on the performance of a basket whose best performing assets are weighted more heavily than those which perform less well. The underlying is typically a basket of sector or regional indices.

Range

A return based on the underlying remaining within a fixed range

Range Accrual

A range accrual product is a type of structured product in which the return is based on the number of days that the underlying price or index is within pre-set levels. The longer that the underlying stays in the range then the higher the return produced.

Typically the underlying used in an exchange rate or interest rate.

Ratchet

This is another name for a cliquet product.

Real Estate

Underlying is composed of either commercial or residential real estate (property) values/indices

Reduced Capital Return

A reduced capital return occurs when less than the original investment is returned at the end of the investment term. This typically occurs when the underlying index falls over the period.

Registered

The note is registered with the local regulator

Registered Note

A note that is registered with the local regulator.

Registered Note (Listed)

A note, registered with the local regulator and listed on a stock exchange

Registered Note (Unlisted)

A note, registered with the local regulator but not listed on any exchange

Retail Bank or Savings Institution

A financial institution that focuses on retail clients, and is either as a bank or as a mutual organisation (savings institution, building society...)

Retraite

(French) Retirement account.

Reverse Convertible

A reverse convertible is a type of high-income structured product. The typical structure offers a high fixed level of income and a full return of capital unless a reference underlying asset or index falls over the term of the investment. If the underlying does fall then the investor has their capital return reduced by the percentage fall in the underlying.

An example of a typical reverse convertible would be a five-year product offering 8%pa fixed income but with the capital return linked to the FTSE100 index. If the index rises, by any amount, over the term then the original sum invested is returned in full. If the index falls then the amount of capital returned is reduced by this fall i.e. a 20% fall in the index over the term would result in a 20% reduction in the capital return.

See also Geared Reverse Convertible.

Reverse Floater

An income product offering a coupon that rises when the underlying reference rate falls. The coupon is calculated as a fixed rate minus the floating reference rate. Often a non-negative clause is added which prevents the coupon being negative.

Rolling

This type of open-ended fund is composed of short term cash and derivative products rolling one after another, allowing for protection levels to be guaranteed at specific dates (e.g. once every quarter). Most of the investment is placed in deposits, the rest in buying options.

Rolling Fund

A rolling fund is the name given to a form of open-ended structured product offered in the form of a fund. The key feature of the product is that the fund price is guaranteed not to fall between set dates, usually every three months or sometimes six or twelve months apart.

A rolling fund is essentially a series of short-term growth products that reinvest any return on an ongoing basis. The main investments of the fund are cash deposits that secure the minimum return, with the balance typically being used to buy call options on one or more equity indices.

S&P500

The S&P500 index is an index of shares of the largest 500 companies weighted by market capitalisation in the US.

Secondary Market

A secondary market is used to describe the market in any financial product that allows investors to sell or buy more of their investment after making the original purchase.

In the case of many structured products, the bespoke nature of the investment means that secondary markets do not often exist, and even if they do, liquidity is often poor. For this reason, investors are usually advised to hold their structured product for the term of the investment.

Secondary Measurement Period

This usually refers to a set period of time usually at the end of the term of a structured product, during which the level of the underlying is recorded in order to determine the final return.

This period may be as short as a few days or as long as twelve months.

Securities Company

A financial institution that focuses on the issuance and trading of financial securities.

Security

The investment is made via a financial security such as a bond, certificate, medium term note, structured bond or warrant.

Seguro

(Spanish) Insurance policy.

Sertifikat

(Norwegian) Certificate.

Shark Fin

A product paying a minimum return at maturity plus a participation in the rise of the underlying. However if an upper barrier level is breached at any time during the investment period then the return at maturity is reduced to a fixed amount.

Short

A “short” position is the term used to describe a situation where one has sold a quantity of some financial asset i.e. a share, bond or derivative, without actually owning it in the first place. In order to do this one usually borrows the asset initially or else would anticipate buying it before the original sale was settled.

For example, if one is “short of £1m HSBC shares”, it means one has sold £1m of HSBC shares in anticipation of a fall in price with the intention of buying them back after the price fall so as to make a profit.

Small Self-Administered Pension (SSAP)

A Small Self-Administered Pension is an Irish corporate pension scheme with 12 or fewer members.

SMI

The SMI index is an index of shares of the largest 27 companies weighted by market capitalisation listed in Switzerland.

Soft Protection

This term refers to a feature of some structured products that provide a full return of capital subject to the underlying index not falling below a set level prior to maturity.

This level, sometimes called a barrier level, provides for a limited degree of capital protection such that even if the underlying falls during the term, as long as this level is not breached then capital is returned in full. In addition, in most cases, even if the level is breached, capital can be returned in full if the underlying subsequently rises back to its initial level.

Soft protection provides a limited degree of capital protection as opposed to hard protection that provides full capital protection regardless of the performance of the underlying.

Solactive US Dynamic Allocation Index

The index is a rules-based, systematic strategy index that provides exposure to a weighted portfolio of US Select Sector SPDR ETFs and the iShares 7-10 Year Treasury Bond ETF. The allocation to each US Select Sector ETF is changed every month depending on whether its price is higher or lower than its 6 month moving average. The exposure to the Treasury Bond ETF is 100% minus the sum of all US Select Sector ETF allocations.

Special Purpose Company - Dublin

Account where the investment is in shares of a Dublin listed special purpose company.

Special Purpose Company - Guernsey

Account where the investment is in shares of a Guernsey registered special purpose company.

Special Purpose Company - Jersey

Account where the investment is in shares of a Jersey registered special purpose company.

Special Purpose Company or Special Purpose Vehicle

A special purpose company (SPC) or special purpose vehicle (SPV) is any legal entity (usually a company or a fund) that is created specifically to create a structured product.

Such entities are often created in offshore centres such as Jersey, Guernsey or Dublin, since these can provide attractive tax and regulatory regimes. The entity will typically issue shares or bonds that will provide investors with a specific return.

Spread Option

A return based on the widening of the performance between equities

Starting index level

See initial index level.

Steepener

A return based on the widening on the curve between long-term rates and short-term rates.

Stocks and Shares ISA

The term Stocks and Shares ISA refers to the component of an Individual Savings account (ISA) that can be invested in shares. See Individual Savings Account (ISA).

Straddle

A straddle is the name given to a position in two financial options whereby one is simultaneously long (or short) of both a call option and put option with the same strike price.

The object of such a position is to make a profit (if one is long) from any movement, up or down, in the underlying.

Strangle

A strangle is similar to a straddle position except that the strike price of the call option is higher than the strike price of the put option.

Strike Date

This is the date on which the initial index level is fixed

Strike Levels

The strike level is the initial level of the underlying index or indices used in calculating the final return. For certain products, such as cliquets, this figure is the initial strike level for the first period only. The letter (e) after a strike level indicates that this level is estimated from the product literature and has not yet been verified by the product provider.

Strike Price or Level

This is the price or index level that is set in an option contract. The option buyer has the right to buy (for a call Option) or sell (for a put option) the underlying at this price level.

Structured Bond

The term Structured Product is the name given to an investment product that provides a return that is pre-determined with reference to the performance of one or more underlying markets.

The performance of a structured product is therefore based only on the performance of this underlying and not on the discretion of the product provider. Often, but not always, the product relies on the use of derivatives to generate the return.

Structured products typically come in two forms: growth products (which may provide an element of capital protection) and income products (that provide a fixed high income but with a risk to the capital return).

Struktureret Obligation

(Danish) Structured bond.

Super Tracker

A super tracker is a type of structured product that provides a degree of capital protection together with participation in any rise in the underlying index.

There are many variations but typically the product might offer a return equal to 200% of any rise in the FTSE100 and full capital protection unless the index falls by more than 50% during the investment term and fails to recover by maturity. If this did occur then the capital return would be reduced on a 1:1 basis for the fall in the FTSE100 index.

See also Airbag, Super Tracker and Tracker products.

Swiss Midcap Price Index

The SMIM (SMI Mid) comprises the 30 largest mid-cap stocks in the Swiss equity market that are not included in the blue chip SMI index (the components are selected according to market capitalisation and turnover in the given shares). It is free-float-capital weighted, and only the tradable outstanding shares

Target Return

A product whereby the product matures early if the sum of the coupons reaches a pre-defined level.

Tax Exempt Special Savings Account (Tessa)

A Tessa is a Tax Exempt Special Savings Account. This is a tax-free savings account that was offered to retail investors in the UK. It provided a tax-free return as long as it was kept for five years. The account is no longer available, but has been replaced by the Individual Savings Account (ISA).

For investors with a TESSA that is maturing there is the option to roll over their original investment into a TESSA only ISA (Toisa).

Tax Status

The tax treatment of the product's return is known and if held directly outside of a tax free wrapper. Either income tax or capital gains tax.

Term

The term of a structured product is the name given to the duration of the investment. Structured products typically have fixed terms between three and six years but can be both shorter and longer.

Third Party

Any company involved in structuring or distributing the product (if different from the provider of the product), e.g. an asset manager or a white labeler.

Tili

(Finnish) A deposit account.

Time Value

This is a term used when describing the premium of an option. The time value of an option is that element of the option's premium that represents the difference between the option's intrinsic value and the premium.

So, for example, let us assume that HSBC shares were currently trading at a level of 750p per share. A call option on HSBC with a strike price of 700p per share would have an intrinsic value of 50p per share. If the actual premium for the option were 75p per share then the time value would be 25p per share.

The value of an option i.e. its premium, is always equal to its time value plus its intrinsic value.

TOISA

This is a TESSA only ISA, see TESSA and Individual Savings Account (ISA).

Tracker Product

See Airbag, Protected Tracker and Super Tracker products.

Tranche Product

Most structured products are tranche products, meaning that they are only available for a limited period. This period, which is usually around 4 to 8 weeks, is called the offer period and is the period during which the product is available for investment. Structured products that accept investments for an unlimited period are called continuous products. Do note that "Leverage" and "Flow & Others" products are not considered as being "Tranche" or "Continuous" in our "Product Style" categorisation.

Tree

A series of returns attributed over several sub-periods, each return being subject to a set increase (if a condition is met) or decrease (if a condition is not met) compared to the return attributed in the previous period.

Uncapped Call

A return based on a fixed participation in the rise of an underlying market that is uncapped

Uncapped Call Product

An uncapped call product is a type of structured product in which the return is based on a call option and there is no limit or cap on the potential return.

A typical example would be a product that provided a minimum return of 100% of the sum invested plus 80% of any rise in the FTSE100 index.

Uncapped Put

A return based on a fixed participation in the absolute value of the fall of an underlying market that is uncapped

Underlying

All structured products provide a return based on the performance of some underlying price or index. The most popular underlyings used are equity indices such as the FTSE100, S&P500, etc.

Other underlyings however can be baskets of individual shares, indices of house prices, the prices of managed funds including hedge funds, and a variety of other financial assets.

Unit Trust

An investment fund that issues units for public sale, the holders of which are creditors and not shareholders.

Universal Bank

A financial institution that provides a wide range of services for both retail and corporate clients such as retail, commercial and investment banking.

Unregistered Note

The note is not registered with the local regulator

Variable Annuity

A life insurance or pension-wrapped product linked to a range of actively-managed funds and offering various guarantees for example, a minimum guarantee on the portfolio value at a future date, guaranteed annual growth or the minimum income available at retirement.

Vekstsertifikat

Norwegian warrant.

Verzekering

(Dutch) Insurance.

Vie

(French) Life insurance product.

Vklad

Deposit both in Slovakia and in the Czech Republic

Vkladový List

(Slovakia) Certificate of Deposit.

Volatility

See Historic Volatility and Implied volatility.

Warrants

A derivative security that is similar to an option except it is issued by a specific financial institution and is listed on a stock or derivatives exchange.

Wealth Management Scheme

This is the name used in China for a purchase agreement (contract) specifying the investment details (strategy, expected return, term) of a specific type of retail

investment product typically sold via local banks. Where the investment is offshore this would encompass QDII products.

Whale

A return based on a fixed participation in the rise of the underlying, averaged by the final level of the underlying as opposed to the initial level, used in the corresponding standard call option.

Worst-of Option

A worst-of option is an option that is exercisable against the worst performing of a given number of underlying shares or indices. For example a call option on the worst of the FTSE100 and S&P500 would pay out on the index that rose the least during the term of the option. See also Best-of option.

Wrapper

A structured product is sold to an investor in a wrapper, which determines its tax and legal treatment. Common wrappers include various types of notes, deposits, warrants or life insurance.

Yield

The term yield is used to describe the return produced by any financial asset. So for example the dividend yield of a share is the return produced by that share through the payment of dividends.

The most common use for the term is when describing bonds or a bond fund. In this case the yield is made up of the coupons or interest payments on the bond plus any expected change in its value up to maturity.

In order to calculate the yield on a bond therefore one must not only know the coupons payable but also the current price of the bond and its expected price at maturity.

Yield Curve

A yield curve is a term used to describe a set of yields for bonds of different maturities.

Zaistený Fond

(Slovakian) Capital-Protected Fund.

Zero Coupon Bond

This type of bond pays no coupons or periodic interest payments.

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