

UBS enters structured products joint venture in Apac through Neo platform

24 October 2017
Pablo Conde-Herman



Synpulse has partnered with UBS to spearhead its actively-managed certificates (AMCs) platform, UBS Neo, across Asia Pacific (Apac). "We are combining our library of asset managers and the strategies, and we are linking that to UBS' Neo platform, the bank's cross-asset investment banking platform," said Frank Troise (*pictured*), head of innovation at the Swiss consultancy company. "This provides an integrated way of accessing the full product suite of UBS Investment Bank throughout on a single platform."

Under the terms of the agreement, Neo will have access to 1,924 strategies with existing assets under management (AUM) through the Synpulse platform. The consultancy has relationships with 10 of the top 15 global asset managers and plans to dramatically expand this list, with many of these managers having an existing relationship with UBS' prime brokerage group, according to Troise.

"The advantage this provides to an asset manager is very fast time to market by utilising the AMC versus a unit trust, mutual fund or any type of co-mingled structure which may take 12-18 months to prepare for the market," said Troise. "The current focus of this initiative is the Apac region as the asset managers we are working with have a presence in Hong Kong and Singapore. That's where the initiative has originated but there is scope to replicate this initiative in Europe."

From a structured products perspective, there are no concerns about the footprint because UBS has a very strong presence across the whole region, and its AMC range has been around for some time. "These products are seen by asset managers as a quick 'go-to-market' instrument that can ultimately be built into a Ucits product once \$100 million in AUM is achieved," said Troise. "So, basically, our portfolio data aggregation tool sits behind the scenes, providing the live portfolio data of asset managers to the investment banks."

"The focus is on making sure that we have the manufacturing and distribution fully optimised so that we can support the entire value chain from the development of strategies to technical implementation and handover," said Troise.

The appetite for certificates and the scope to develop this business is "enormous", according to Troise. "We want to make this like iTunes, so any given investor can access the platform, choose a strategy, hit the button and get the product," said Troise. "On top of this, any private bank can also distribute the products, so we don't need to rely on UBS' distribution capabilities, as every single private bank out there is seeking products with this kind of streamlined set up."

For the buy-side, any product that can deliver factor/smart beta/risk premia-like returns "is going to be hot property", according to Troise.

"Distributors and investors are not too concerned about the wrapper," said Troise. "The focus is on how to access those strategies in an efficient manner and structured notes, certificates, unit trusts and ETFs can do that."

This shift in the use of wrappers has also had an impact on the value of multi-issuer platforms aimed at enabling investors and distributors to see the cheapest trade, according to Troise. "That has not happened yet, because not every issuer and not every distributor is plugged into those platforms," said Troise. "Those manufacturers that can price competitively have an advantage and don't need to share an outlet with other issuers."

Single issuer platforms backed by a bank's credit rating, balance sheet, distribution capabilities, resources and technology are "better positioned than others to capitalise on on-boarding asset managers, and once you have those firms plugged in they will not look elsewhere", according to Troise. "Multi-issuer platforms have lost some of their appeal, because margins remain low and it is very difficult to create a competitive advantage on those platforms," said Troise. "Also, the business model is somehow flawed, as distributors want to work and build strong relationships with one or two issuers, and

investment banks are very competitive among themselves."

That trend is reversing and investment banks are increasingly focusing on their own platforms to make sure their clients do not see any compelling reason to leave, according to Troise. "Credit Suisse is working on a similar offering with Quantum and JP Morgan's Nexus is also becoming a very strong platform," said Troise. "First movers will have an advantage in this segment but you need a comprehensive offering and UBS already has that and is ahead of the curve."

AMCs are UBS-issued securities linked to a reference portfolio that may contain multiple instruments across asset classes. AMCs were developed by the Swiss bank as a fully packaged investment strategy, relieving portfolio managers of the operational burden of running a strategy and allowing them to focus instead on investment decisions and asset allocation. **SRP**

Related stories:

[Synpulse aims at AMC platforms with data aggregation service](#)

[UBS offloads Delta platform](#)

[Six Swiss Exchange absorbs structured products venue](#)

SRP's Reprint Policy:

Articles published by **SRP** can be sent to sources for reference and for internal use only (including intranet posting and internal distribution).

- If an article is to be shared with a third party or re-published on a public website (i.e. a location on the World Wide Web that is accessible by anyone with a web browser and access to the internet), **SRP** offers reprints, PDFs of articles or advertisements, and the licensing to republish any content published on the **SRP** website.
- Reprints and PDFs can be customised to include advertisements, company logo and/or company contact details, and can also be delivered on 170gsm matt paper.
- Minimum order for print: 50 copies
- Prices vary depending on size, quantity and any additional requirements (e.g. editing, resizing, inclusion of logos, lamination, etc.) and range from £500 to £1,000 (+ VAT) for the authorisation to republish any Q&A, profile or feature published by **SRP**.

For a full quote or for further details please contact info@StructuredRetailProducts.com