

Italy's **forza strutturata**

Following in the footsteps of Germany's Derivate Forum and Switzerland's Schweizerischer Verband für Strukturierte Produkte, structured products providers in Italy have joined forces to form a trade association. Among other objectives, the new body will focus on educating retail investors and promoting certificates. By *Amanda Lee*

> After more than two years of preparation, Italy finally has a trade association to represent the interests of its retail structured products market. Now more than six months old, Associazione Italiana Certificati e Prodotti d'Investimento (Acepi) – the Italian Certificates and Investment Products Association – will launch its official website later this year. Acepi is based on the same structure as the Derivate Forum and Deutsche Derivative Institut in Germany, and its long-term objective is to educate retail investors about structured investments and promote and sustain growth in Italy's structured products market.

But getting the association up and running has not been easy, says Ugo Giordano, London-based partner at law firm Dewey Ballantine and president of Acepi. There are no written documents detailing the establishment of the association at present, and Giordano acknowledges that Acepi's organisational structure is in need of improvement.

Acepi is marketing membership to structured products providers. There are currently six members: Sal Oppenheim, Deutsche Bank, Société Générale, ABN Amro, Unicredit and Banca Caboto. "We have sent out invitations to Goldman Sachs, JP Morgan, UBS and Nomura and a number of other banks," says Giordano. "We expect the membership of the association to grow by next year."

Acepi covers structured bonds, structured notes, warrants and certificates, but excludes structured funds to rule out involving the asset management industry. One of its missions is to boost Italy's listed certificate market and to increase the market share in order to compete with the fund industry. The Italian association hopes to emulate the success of structured products trade associations in Germany, which have taken an active role in stimulating the certificates market there to the extent that certificates now rival domestic and Ucits III funds.

While Germany's Derivate Forum collects trading statistics from each member and produces monthly reports on the certificates market, Giordano declines to say whether Acepi will do the same. "We can certainly draw on the experience of some of our members in Germany with similar associations, but Italy is different and requires a tailored approach," he says.

Projects in the pipeline include initiatives to educate retail investors about structured products and develop standards for the categorisation of structured products. "One of the association's key aims is to provide education for the public at large," says Giordano. "The members are all

keen to spread the knowledge about structured products in general and certificates in particular, starting from the basics."

The certificates market in Italy is relatively small compared to the country's fund market. The majority of certificates issued to retail investors are listed on the Borsa Italiana stock exchange in Milan. The turnover of Italy's certificates market was €30 billion (\$41 billion) in 2006. By contrast, the net assets raised by Italy's fund industry in the same year amounted to €38 billion (\$52 billion), according to statistics provided by the European

Fund and Asset Management Association (Efama).

But Italy's structured products market remains one of the most active in Europe, with issuance of €22 billion (\$29.7 billion), according to a BNP Paribas report on structured products for retail and private banking, published in June. The report notes that Italy was the only European country that posted a drop in volumes between 2005 and 2006, mainly due to the regulatory effects of the EU Prospectus Directive in the first half of 2006. The market also stalled last year as a result of changes implemented by the local regulator Commissione Nazionale per le Società e la Borsa (Consob).

Despite the stuttering sales, market participants remain positive about the untapped potential for structured products in Italy, especially certificates. But the default of corporate bond Cirio and the bankruptcy of Parmalat, which had a direct impact

on retail CDO credit ratings, have made regulators more vigilant about the marketing and disclosure of investment products to retail investors.

Progress has been made in improving marketing practices and transparency on both a domestic and European level. Since its implementation in July 2005, the EU's Prospectus Directive has been widely adopted by structured products providers as a means of passporting their offerings between member states. The directive allows structured products to gain approval in one country and be sold in another automatically – all the issuer has to do is inform the other country's regulator via a written note. In addition, earlier this year the Bank of Italy relaxed its rules and no longer requires issuer notification to approve plain vanilla or structured debt securities offerings (see *Structured Products*, February 2007).

Setting up a trade body in Italy will no doubt enhance transparency, and Acepi will work closely with Consob. Giordano believes the association is in a good position to assist the regulator on the disclosure aspects of structured products. ■



Ugo Giordano, Dewey Ballantine