



## **Acepi: Investors are increasingly seeing the benefits of structured products**

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By Jack Stannard

Acepi (L'Associazione Italiana Certificati e Prodotti di Investimento) is Italy's trade body for the structured product industry, the equivalent to the UK Structured Products Association (SPA). Founded in 2007, its mission is to support issuers and investors by promoting greater knowledge and understanding of structured investment products. SRP spoke to Dario Savoia, president of the association.

### **How would you define Acepi's role in the market? What are your goals?**

As members of Eusipa (the European Structured Investment Products Association), we share the same goal, which is to inform, promote transparency, and help the industry grow in a sustainable way. What with the recent financial crisis and the amount of regulation being proposed, it is an important time for this industry. So our role, in collaboration with Eusipa, is to share the industry's views.

### **How far reaching and effective do you think the collaboration between Acepi, Eusipa and Eusipa's other members actually is?**

I think the bond is strong. We work very closely together, holding regular meetings and maintaining a constant exchange. This is especially important in order to monitor Europe-wide trends in products as well as regulation. The most established member of Eusipa, both in terms of history and active participants, is the German association (Deutsche Derivate Verband). But Italy, France and Switzerland are similarly developed markets, and are therefore increasingly getting the representation they need by way of more active trade associations. Belgium and the Netherlands recently joined Eusipa, and there is an ongoing partnership with the UK's SPA, so overall, Eusipa's influence and our collaboration with its members is ever-growing.

### **You mentioned the importance of monitoring European regulation – what is Acepi's view on recent regulatory initiatives and how do they impact the Italian market?**

Clearly, up until now, Italy has been very much in line with the rest of the EU in terms of regulation. What the industry is now digesting are the terms and conditions of MiFID 2, the centrepiece of the European Commission's reforms of financial instruments, set to come into effect at the end of 2015. The most important aspect of this directive is the "product intervention" clause, which will give national regulators the power to intervene in the market to protect investors' best interests. Under the current regulation this feature doesn't exist, so this is a much anticipated piece of reform, and one which we are interested to see unfold.

In terms of other regulation, Consob (the Italian regulator) has drafted a consultation on complex investment products, proposing a "voluntary moratorium" clause whereby distributors would be

expected to voluntarily cease the distribution of products deemed too complex by the regulator. The consultation is ongoing, and Acepi, along with our members, is coordinating a response.

**It's fair to say that until a couple of years ago, Acepi wasn't particularly active on the market in terms of fulfilling its own mission statement. How have things changed over the last two years, and what direction is the association going in now?**

We've made several significant improvements over the course of the last two years, not least re-writing the association's statute, redefining our focus and increasing our operations. We've also expanded our membership base, with Banco Posta and Banca Mediolanum – two very active distributors – joining the association. Previously, our members consisted only of the most active investment banks, which is not representative of the certificates market anymore.

In terms of promoting greater knowledge and understanding of the industry, we've definitely bolstered our operations. In March this year we published an abstract of a research project we've been working on, which is now available in full on Acepi's website. It consists of an historical analysis of 1406 investment certificates between 2004 and 2012, and as such is the most extensive piece of research of its kind in Europe. We analysed every certificate pertaining to the Bonus and Capital Protected category [768 and 638 respectively], as these are the most common types of certificates on the Italian market, and we found that, in the worst case scenario, their average performance was comparable to the performance of a direct investment in the underlying, excluding any dividends that a direct investment could potentially deliver. In the best case scenario, in which the barrier wasn't breached, the average performance of these certificates exceeded a direct investment in the underlying. This is clearly great news for investors in structured products, and it's a message we are committed to deliver.

**It would appear that this overall positive performance has resonated with investors, as the certificates market is now the biggest it has ever been in Italy. Would you agree?**

Yes, absolutely. I think investors are increasingly seeing the benefits of structured products, particularly investment certificates, in part due to growing familiarity with the products on offer, in part because the structures themselves are becoming more standardised and simpler to understand, which is a good thing. Apart from in 2008 and 2011, standout years in which the economic crisis took its toll across the entire finance industry, the market has grown consistently year on year. The real boom took place in 2013, where the market leaped from €2.5 billion to €6.3 billion. During Q1 of 2014, volumes reached €2.6 billion, more than twice the amount registered in this period last year. If this continues, we project end-of-year volumes to reach around €10 billion.

**What does Acepi have planned for the near future?**

Our main focus now is to step up our educational operations. We're working on producing a new "certificates map," an accessible document listing all the different types of certificates available. The map, of which an older version already exists, will group together all the different commercial names (e.g. Athena Airbag, Rainbow etc) under one of five appropriate categories (capital protected, partially protected and so on), to make it easier for investors to identify the characteristics of the product. The new map will replace the one currently on Acepi's website, as several products from the old one are no longer sold and some have been replaced by new types.

Finally, we will be launching an educational campaign aimed at dispelling the many myths and false rumours surrounding structured products. The campaign will build on the work we've already done in terms of researching the historical performance of products, only it will include a more thorough

analysis of individual products and a list of their pros and cons, what market environment they are best suited for and so on. This will be a valuable tool for investors, and a big step forward in terms of combating some of the stigma attached to structured products.

Case in point, Esma (the European Securities and Markets Authority) published a report last year based on a selection of five products sold in Germany, Switzerland and Italy and concluded that certificates are not a fruitful investment. The study was based on such a small sample that it cannot be taken as representative of actual market trends and product performance, as the broader Acepi research clearly shows. Our goal now is to carry on interacting with the market and provide evidence of why structured products are an important part of an investor's portfolio.

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