

# **Points and questions to guide you in understanding a structured product**

# Sources of Information

- SGX
- MAS
- Prospectus
- Website

# The Parties Involved

- Investor
- Structurer
- Broker
- Regulator

# Investor's Perspective

- What's the risk?
- What's the upside? What's the potential return?
- How might the product help me realize my investment views?
  - When will I use such a product?
- In what way is the product special that plain vanilla products like stocks and bonds cannot deliver?
- How will the product perform in the current market and in the foreseeable future?

# Structurer's Perspective

- What are the risks? How to manage the risk?
- How to structure the product?
  - Decomposition into simpler derivatives
  - Putting the administrative structure together – regulators (prospectus), quants (pricing and hedging), sales (marketing), legal and accounting (credit risk, etc.)
- Who takes the cut? How much? What do I expect to earn?
- To whom is the product targeted?
  - Retail investors
  - Companies
  - Funds and institutions
  - Wealthy individuals (sophisticated investors)

# Regulator's/Legal/Accounting Perspective

- Taxes
- Accounting
- What's MAS directive on this?

# Your Task

- Get yourselves into groups to gather the necessary information, think about the structure and appreciate how the different parts come together in the delivery of a financial structured product
- Give a X min presentation to the rest of the class, with the goal of enlightening your classmates about the product, with a perspective as complete as you can