

# Annual Report

Swedish Structured Investment Products

2016



**SPIS**

SWEDISH STRUCTURED INVESTMENT  
PRODUCTS ASSOCIATION

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# Structured Products in Sweden

## HISTORY

Since 2009

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## MESSAGE FROM Head of SPIS

*Andreas Widegren*

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Dear all,

On a flight coming back from a trip to Brussels, where our advisory board had very interesting and insightful meetings with both the European Council, the European Parliament and the European Commission.

This has been an adventurous and fruitful year. We have had a very good dialogue with the Swedish Financial Supervisory Authority (Finansinspektionen) and the Ministry of Finance on coming regulations such as PRIIPs and MiFID II. These regulations will fundamentally change the industry; driving investments especially into Fintech, taking consumer protection to new levels and where our products can deliver what MiFID II requires i.e. products fully adapted to investor needs.

*Our members have also been successful on the European arena with Nordea, Swedbank and Garantum taking home “Best Distributor Nordics”, “Best Distributor Baltics” and “Best Distributor Norway” at the 2017 European SRP awards. Strukturinvest also had the product that yielded the*

In the run-up to PRIIPs we have had great seminars with several leading law and IT firms providing crucial insight into the process. Furthermore, we had a very interesting seminar with the European Investment Bank on how structured products can contribute to the global sustainability agenda. The European Commission has currently a consultation out on Environmental, Social and Governance (ESG) PRIIPs, products that can not only contribute to investor gains but also improve our environment.

Many thanks to our advisory board, Jacob, Richard, and our colleagues at the Swedish Securities Dealers Association and everyone else who contributed to a successful year for SPIS. On that note, I want to end with the conclusion that the future looks bright for our industry, where we have a bright 2017 in front of us with new challenges to take on.

# Swedish Structured Investment Products Association



The Industry Code provides guidelines and a common standard for sound industry practice. In particular it regards to the proper disclosure of information in the marketing of structured products.

The Code deals with what information about a product must be provided, such as underlying assets, characteristics, risk, fees and its historical development. Further reinforce the requirements set out by regulations, and the Financial Supervisory Authority regarding the marketing material.

Information must be provided in a way that is both accessible and fully comprehensible to the average retail investor. All arrangers affiliated to SPIS are required to actively implement these codes of conduct.

The goal of the Code requires organizers in turn to set clear requirements on their distributors so all relevant information both follows the Code and reaches all investors.

Compliance with the Code by SPIS-affiliated companies is reviewed biannually by SPIS. This biannual review covers over 43 audit point.

## Members

SPIS is a member-lead organization representing 95% of the Swedish structured products market, providing common standards for product marketing.

15 Members

## EU Regulation

SPIS also provides a common forum for actors in the market place to discuss and interpret upcoming financial regulations also with regulators.

PRIIPs & MiFID II

## Product Review

Compliance with the SPIS Industry Code by affiliated members is reviewed biannually, covering over 43 audit points in the marketing material provided to retail investors.

Successful Audit

## Regulator Dialogue

In an effort to keep a clear and coherent dialogue, SPIS maintains a regular dialogue with regulators, representing the Swedish structured products market.

Talks with Regulators

## Market Development

The SPIS Industry Code of Conduct logo offers an extra level of consumer protecting, ensuring that affiliated companies promoting the logo are compliant with the SPIS Industry Code.

Promote Consumer Confidence

## Transparency

Through our Industry Code's common standards, a common risk indicator and information disclosure is key to bring transparency and comparability to the market.

Update Industry Code

# The Swedish Market In 2016



**991**

NUMBER OF PRODUCTS  
ISSUED

The Swedish structured products market issued 991 new products in 2016. The various products launched ranged from capital protected products to uncapped credit linked products.

**129bn**

PRODUCTS  
OUTSTANDING (SEK)

The Swedish structured products market is the largest structured products market in the nordic region.

**16.8bn**

NEW ISSUANCE (SEK)

The Swedish structured products market experienced a decline in sales due to continued uncertainty in a low interest-rate environment.

**2.6%**

AVERAGE ANNUAL  
PERFORMANCE

The average annual performance of the swedish structured products market was stable at around 2.6%.

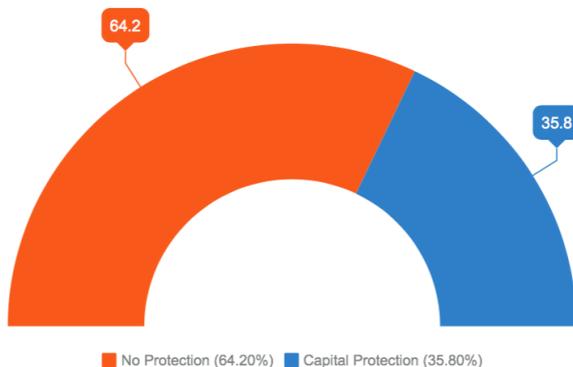
Data source: Structured Retail Products 'SRP'

**SRP**

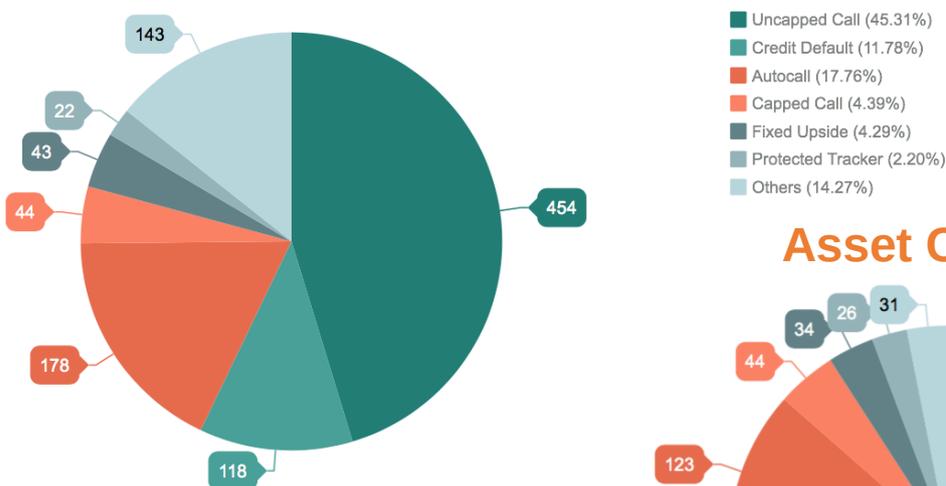
Structured Retail Products is the leading international data provider for Financial Institutions involved in the manufacturing and the distribution of structured products.

## Market Share

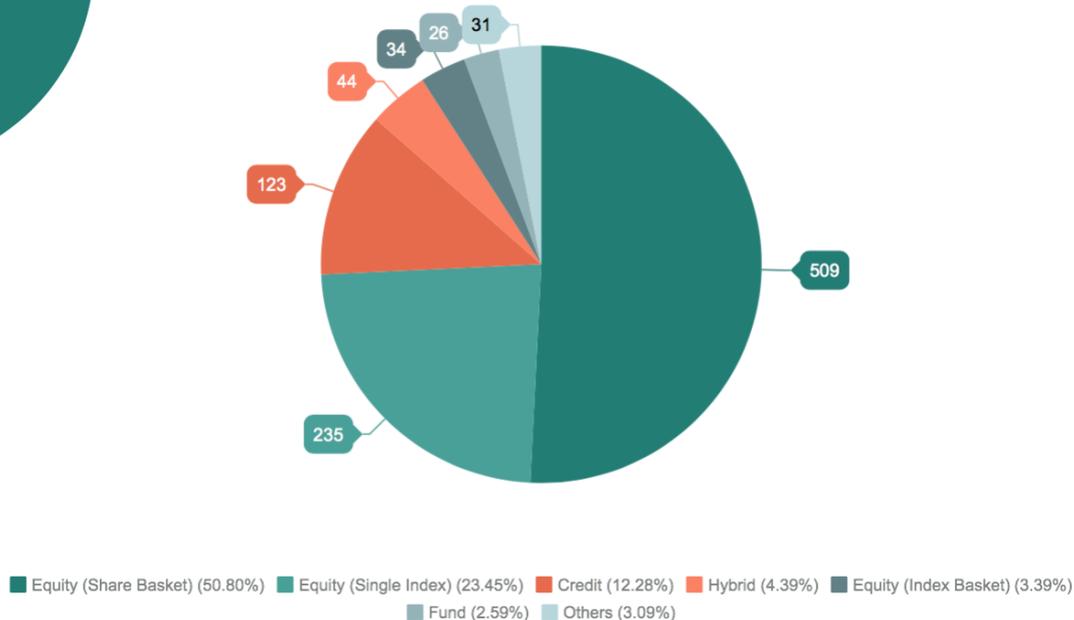
### Capital Protection



### Payoff Type



### Asset Class



## Average Performance Per Annum



Data source: Structured Retail Products 'SRP'  
Performance data is from products that matured in 2016.

# Package Retail *and* Insurance-based Investment Products (PRIIPs)

PRIIPs aims to establish a common standard for investment product information through the introduction of a Key Information Document (KID) - a standalone document of no more than three A4 pages made available to retail investors in good time before an investment decision.

The KID should be easy and understandable, disclosing costs and risks associated with the PRIIP. This allows investors to more easily compare different investment products, in order to make the most suitable investment decision.

Any investment where the amount repayable is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the investor or is a insurance-based investment product is regarded as a PRIIP requiring a KID.

PRIIPs was intended to enter into force 31st of December 2016 and on the 30th of June the Commission adopted the regulatory technical standards containing detailed requirements on the KID's content and design.

However, on September 14th the European Parliament rejected the Commission draft proposal and on the 20th of September the European Council called for a one-year postponement.

The European Parliament and the European Council decided in December to postpone the regulation until January 1, 2018.

The Commission adopted in March a new delegated regulation supplementing the regulation. The new delegated regulation replaces the other rejected by the European Parliament and will, except for potential objections of the European Parliament or the European Council, apply from January 1, 2018



## Aims

- ⊕ PRIIPs aims to increase transparency and comparability.
- ⊕ The KID will give investors a good oversight of product characteristics.
- ⊕ All costs associated with the product must be detailed in a KID.
- ⊕ The KID should be no more than three A4 Pages in length.

## Challenges

- ⊕ Liability risk with PRIIPs implementation without RTS.
- ⊕ Cost and scenario calculations issues, resulting in inaccurate results.
- ⊕ PRIIPs is linked with MiFID II definitions, which is not in effect.
- ⊕ No grandfathering clause, resulting in the production of KID's for outstanding products.



EU PRIIPs Proposal

1  
2012

## Proposal from the European Commission

On the 3rd July 2012 the European Commission propose improvement to the information that is provided to the consumers when evaluating investments. The proposal aims to provide information to consumers in a format easy to understand by introducing a innovative standard for product information, a 'Key Information Document' (KID).



Level 1 Regulation

2  
2014

## PRIIPs Level 1 Adopted

On the 26th November 2014 the Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) was adopted by the Trialog and published into the official journal of the EU.



Mandate to EIOPA

3  
2014

## Commission Requests Technical Advice

On the 30th July 2014 the Commission requests advice on possible delegated acts concerning the upcoming regulation on 'Key Information Documents' from the European Insurance and Occupational Pensions Authority (EIOPA), based in Frankfurt am Main.



Draft RTS

4  
2015

## Draft Regulatory Technical Standards

Draft "regulatory technical standards" (RTS) specifying the content and underlying methodology of the so-called 'Key Information Document' that will have to be provided to retail consumers when they buy certain investment products are published. The draft RTS were adopted by the Commission on 30th June 2016.



RTS Rejected

5  
2016

## EU Parliament Reject RTS

On 14th September 2016 the European Parliament reject the PRIIPs RTS adopted by the Commission. Calling on the Commission to submit new RTS and consider postponing the application of PRIIPs. However, the European Council accepted the RTS but in a letter to the Commission demanded a 12 month delay.



Awaiting PRIIPs

01  
2017

## Awaiting PRIIPs Implementation

Since the RTS were rejected by the European Parliament, resulting in the RTS being returned to the Commission. The Commission has yet to release updated RTS nor delay the implementation of PRIIPs. The road ahead is still uncertain, and we are awaiting the final RTS before summer.



ERIK PENSER BANK



Handelsbanken



NORD FONDKOMMISSION



SIP *nordic*

**skandia** :



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