

Thursday October 1, 2009

## Structured Products

Current year	Previous year
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### ALL U.S. STRUCTURED PRODUCTS

#### Year to Date:

\$26.854 billion in 3016 deals	\$53.964 billion in 5728 deals
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#### Quarter to Date:

\$10.110 billion in 1198 deals	\$10.725 billion in 1589 deals
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#### Month to Date:

\$2.949 billion in 391 deals	\$2.696 billion in 437 deals
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#### Week to Date:

\$0.008 billion in 8 deals	
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### BREAKDOWN OF YEAR TO DATE DEALS

#### ALL U.S. STOCK AND EQUITY INDEX DEALS

\$12.663 billion in 2206 deals	\$33.004 billion in 4486 deals
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#### SINGLE STOCK U.S. STRUCTURED PRODUCTS

\$3.495 billion in 1372 deals	\$11.921 billion in 3220 deals
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#### STOCK INDEX U.S. STRUCTURED PRODUCTS

\$8.994 billion in 814 deals	\$20.651 billion in 1175 deals
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#### BASKET OF STOCKS U.S. STRUCTURED PRODUCTS

\$0.174 billion in 20 deals	\$0.432 billion in 91 deals
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#### FX U.S. STRUCTURED PRODUCTS

\$1.656 billion in 98 deals	\$4.694 billion in 270 deals
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#### COMMODITY U.S. STRUCTURED PRODUCTS

\$6.622 billion in 280 deals	\$9.477 billion in 349 deals
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#### INTEREST RATE STRUCTURED PRODUCTS

\$2.150 billion in 152 deals	\$4.820 billion in 279 deals
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## Prospect News

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## Barclays promotes innovations in Prosper note structure, its enhanced version of CPPI

By Emma Trinca

New York, Sept. 30 – **Barclays Bank plc** for the first time in the United States is talking publicly about an innovative and open-ended version of Constant Proportion Portfolio Insurance (CPPI) methodology.

Called Prosper, for Perpetual Rolling Open Structure Protecting Equity Returns, this capital protection innovation is said by its inventors to be an enhanced form of dynamic capital protection with a new edge: the amount of protected capital can increase when the market goes up and will not decrease again.

The main advantage, structurers at Barclays said, is the ability for investors to get principal protection as the market rises and to lock in higher levels of guaranteed protection as the market continues to gain.

Prosper was officially launched in July in the United States when Barclays priced \$10 million 0% Barclays Prosper ETF notes due 2014. The Barclays Prosper ETF portfolio represented the first use of such

technology in the United States although several deals using Prosper had been launched in Europe last year, Barclays' structurers in the United States say.

### A super CPPI

Instead of getting the principal protection through putting some of the initial cash in a zero-coupon instrument as with the CPPI structure and then putting the remainder in equity, and then subsequently rebalancing the portfolio to ensure a payout of at least par at maturity, Prosper gives a dynamic level of guarantee defined as a percentage of the portfolio's highest net asset value at any point in time during the term. Each time the portfolio reaches a new record NAV – or high-water-mark – investors see their minimum guaranteed level of protection rise with the market. Moreover, they will be able to know in advance what this minimum cushion will be, Barclays' structurers said.

"The Prosper mechanism gives the

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## UBS to price autocallable optimization securities tied to Energy Select Sector SPDR fund

By Jennifer Chiou

New York, Sept. 30 – **UBS AG** plans to price 0% autocallable optimization securities with contingent protection due Nov. 2, 2010 linked to the Energy Select Sector SPDR fund, according to an FWP filing with the Securities and Exchange Commission.

If the fund closes above its initial share price on any of 12 monthly observation dates, the notes will be called and investors will receive par of \$10 plus an annualized

return of 15% to 18%, with the exact level to be set at pricing.

If the notes are not called, the payout at maturity will be par if the final share price is at least 75% of the initial price. Otherwise, investors will receive par plus the share price return.

The notes are expected to price on Oct. 27 and settle on Oct. 30.

UBS Financial Services Inc. and UBS Investment Bank are the underwriters.

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investor a protected level that rises with the market value of the reference portfolio. This protection varies but will not go down by definition,” said Samson Koo, head of equities structuring, Americas at Barclays.

Koo gave an example of how the Prosper’s dynamic protection mechanism works, stressing that his numbers are hypothetical.

Koo assumed that an investor had a \$100 million initial portfolio to invest in Prosper and that Prosper would guarantee 80% of the high-water mark as a level of minimum protection. Koo took the following example:

- On day one, the investor’s high-water-mark is the same as his principal; minimum protection is 80% of the initial investment, or \$80 million.
- On day two, after a 10% market increase, the portfolio reaches a \$110 million high-water mark. As a result, the minimum protection increases accordingly to \$88 million, or 80% of the new mark.
- On day three as the market posts new gains, the net asset value of the portfolio reaches a new high of \$120 million. The investor secures a minimum protection of 80% of this new threshold, or \$96 million. Such level cannot decrease.
- The last assumption examines the downside. On day four, the portfolio drops from \$120 million to \$100 million. The investor ends up with \$96 million at maturity, which represents only a 4% loss from his initial investment despite the latest 20% downtick in market value.

### **More than zero**

In this example, investors in a CPPI transaction would get 100% of their principal back while Prosper investors would only get 96% of it. But Prosper investors – unlike their counterparts in CPPI – have the possibility that their minimum protected capital may step higher than par during the term and that it will stay guaranteed at that higher level thereafter.

CPPI investors, on the other hand, can only expect par regardless of any market appreciation, Barclays structurers said.

“One important difference between Prosper and CPPI, is that CPPI only guarantees a stated amount at maturity whereas Prosper guarantees a percentage of the high-water-mark, or the highest ever NAV,” said Koo.

“Prosper gives you the ability to achieve increased principal protection as the value of the underlying reference asset rises,” added Gage Olcott, head of retail distribution - Investor Solutions Americas at Barclays.

### **Multiple benefits**

Because Prosper allows investors to see their minimum guarantee rise with the market, it fits a mainstream investor’s profile.

“Prosper may be an appropriate product for someone who is moderately bullish on an underlying reference asset, yet cautious about the market in general,” said Olcott.

In addition, Prosper offers the liquidity benefit, Olcott said. “You have an open-ended offering with the ability to continually offer new subscriptions or redemptions, minimizing the sensitivity to interest rates and volatility usually present in equity-linked notes, CDs and CPPI products,” he said.

Investors may also enjoy the level of predictability offered by a structure that dictates in advance how much of the initial investment will be protected at maturity as the market goes up.

“Any product offered with the Prosper mechanism has transparent protection. You just need to know the percentage of minimum protection and from there, you can just calculate the minimum value that you’re going to get back each time your net asset value reaches a new high,” Olcott noted.

The combination of a minimum

guarantee that can rise with the market, predictability, liquidity and transparency makes for a good pitch to investors eager to smooth volatility and gain downside protection, Barclays’ structurers said.

“So far we have received positive feedback from various distribution channels such as private banks, broker-dealers and the advisers’ community,” said Olcott.

### **Advisors customizes risk and return**

Matt Medeiros, president of the Institute for Wealth Management in Denver, was one of Barclay’s first clients to work with the Prosper structure. The registered investment advisory firm manages a portfolio made of ETFs and used Prosper to customize the risk-return profile of its series of portfolio models, said Medeiros.

“Prosper serves a very good purpose for us,” said Medeiros.

“We allocate the Prosper notes to our portfolio and it gives protection for an equity-type of investment. The allocation varies depending on the client’s risk profile. We can dial up or down the type of protection the client wants. For instance, we could have an income basket and make an allocation to Prosper in order to allocate to growth,” he said.

Medeiros said that he has found Prosper useful, especially for retail clients, as it gives them an alternative to insurance products.

“Generally high-net-worth clients are familiar with structured products. But non-accredited investors tend to use insurance products, such as variable annuities, which are much more expensive than structured products,” he said. “Prosper is an alternative to insurance for non-accredited investors.”

Medeiros said that he also likes the fact that the structure gives protection without limiting growth. “Most structured products

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## Credit Suisse plans to price 0% Ares linked to S&P 500 index

By Jennifer Chiou

New York, Sept. 30 – **Credit Suisse, Nassau Branch** plans to price 0% Accelerated Return Equity Securities due Dec. 3, 2010 linked to the S&P 500 index, according to an FWP filing

with the Securities and Exchange Commission.

The payout at maturity will be par plus triple any index gain, subject to a maximum return that is expected to be 20% to 22% and will be set at pricing.

Investors will be fully exposed to any index decline.

The notes are expected to price on Oct. 30 and settle on Nov. 4.

Credit Suisse Securities (USA) LLC is the underwriter.

## Credit Suisse to sell 0% buffered accelerated return securities linked to S&P 500

By E. Janene Geiss

Philadelphia, Sept. 30 – **Credit Suisse, Nassau branch** plans to price 0% Buffered Accelerated Return Equity Securities due May 2, 2011 linked to the S&P 500 index, according to an FWP filing with the

Securities and Exchange Commission.

The payout at maturity will be par plus 400% of any gain on the index, up to a maximum return of 14% to 16%. The exact cap will be set at pricing.

Investors will receive par if the index

falls by up to 10% and will lose 1% for every 1% the index declines beyond 10%.

The notes will price on Oct. 27 and settle on Oct. 30.

Credit Suisse (USA) LLC will be the underwriter.

## Credit Suisse to price ProNotes linked to basket of three indexes

By Jennifer Chiou

New York, Sept. 30 – **Credit Suisse, Nassau Branch** plans to price 0% ProNotes due Oct. 30, 2014 linked to three indexes, according to an FWP with the Securities and Exchange

Commission.

The basket includes equal weights of the Dow Jones Euro Stoxx 50 index, the FTSE 100 index and the Nikkei 225 index.

The payout at maturity will be par plus

any index gain.

Investors will receive at least par.

The notes are to price on Oct. 27 and settle on Oct. 30.

Credit Suisse Securities (USA) LLC will be the underwriter.

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cap the upside; this one doesn't," he said.

Finally, Medeiros said he liked the choice of a basket of ETFs used as the reference asset in the first U.S. offering. "It's pretty unique. It gives you a level of transparency and liquidity that you don't have with other products."

Medeiros' Institute for Wealth

Management entered into a basket composition agreement with Barclays and as such, is listed in the prospectus as a calculation agent.

The Prosper notes issued in July were linked to a basket of six exchange-traded funds, including the iShares Russell 2000 index fund; the iShares

MSCI Emerging Markets index fund; the iShares S&P MidCap 400 index fund; the SPDR Dow Jones REIT ETF; the PowerShares DB Commodity index tracking fund; and the iShares Barclays aggregate bond fund, according to a 424B2 filing with the Securities and Exchange Commission.