

Best in the Nordic region

Nordea



Janne Saarikko, Nordea

> Historically, investors in the Nordic countries have focused on equities and while there is a thriving structured products market in the region, a large part of the offering consists of straightforward call option index-linked products. Encouraging investors to steer away from equities and diversify their investment portfolios has been a challenge. But Nordea, which is the largest structured products provider in Finland and Denmark and among the top three in Norway and Sweden, has come to market with a host of pioneering products over the course of the past 12 months. Nordea illustrates how close co-operation between the structuring team and the sales units can break down barriers in investor behaviour and lead to impressive product innovation.

One of the most interesting products to come from the Nordic region this year is Nordea's electricity-linked structured product, aimed at retail investors. This is a three-year capital-protected product linked to the Nordpool electricity forward prices listed on the Nordpool Exchange in Norway. In the Nordic region, electricity derivatives have a particular appeal, explains Finland-based Janne Saarikko, director, head of global structured products at Nordea Markets. People are aware that electricity prices are rising and this makes it easier for investors to believe in the merits of an investment product that is linked to such a commodity, Saarikko adds.

Nordea was also the first bank to offer hedge fund-linked notes to private banking clients in Denmark while in Finland and Sweden, it was the first provider to issue a credit-linked note with an overweight in Nordic names. It was also the first provider to come to market with a significant sized FX (Turkish lira)-linked retail product in Norway and Denmark through the Nordea TRY issue.

Typically structured as a two to three-year product, the TRY range is a capital-protected investment that tracks the strengthening position of the Turkish lira against the euro. The TRY range has also been extended to other currencies, Saarikko adds.

And in an effort to steer investors away from local underlyings, another challenge for Nordic banks, Nordea issued an EPRA (European real estate)-linked capital-protected product in Norway and Denmark as an alternative to local real estate holdings.

While many of these products were successfully launched and distributed via Nordea's 1,150 retail bank branches and private banking units, a large part of its success is also attributed to its efforts at cultivating a strong online distribution platform. With more than four million of its 10 million-strong client base consisting of "e-clients," Nordea is way ahead of its competition. The bank is also a strong advocate of sound risk management practices and furnishes its clients with a range of internet-based risk-rating tools to help them make decisions.

This emphasis on asset/liability management and financial risk management has extended beyond the confines of the bank itself, with the Nordea-led initiative to establish a Structured Products Association of Finland this June. Chaired by Saarikko, the association's board members comprise the region's five leading banks, which are Nordea, Handelsbanken, Sampo Bank, SEB Bank and OKO Bank. Membership is open to market representatives from securities, private banking and brokerage firms.

In addition to regulation from the Finnish regulator, the banks are attempting to (softly) self-regulate themselves, Saarikko explains. The association will provide regular updates on the growth of the structured products market, enhance disclosure, explain to investors how the inclusion of structured products will enhance their portfolios.

Why Nordea won

Nordea is hailed for taking the initiative to self-regulate Finland's structured products market by setting up the Structured Products Association of Finland and managing to stay ahead of the game in terms of product innovation and distribution. Its ability to capitalise on opportunities and offer innovative products such as electricity forwards, credit- and hedge fund-linked structured products has made it stand out from its competitors in the region.

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