



Structured products Awards 2005

Best in Spain

Grupo Santander



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> Grupo Santander has had a blockbuster year following the launch of the Santander Fondo Supergestion Series back in March 2004. Having raised a total of €11 billion through five tranches, it was the year's most successful retail structured fund in both Spain and Europe. But even with its structured funds business reaching new heights, Santander has remained committed to delivering a well-rounded structured products offering.

Three years ago, dwindling demand for structured deposits prompted Santander to refocus its retail treasury business with the establishment of Santander Global Connect (SGC), a unit dedicated to delivering products and services to small-to-medium sized businesses (SMEs) and high-net-worth individuals. To reach this new client segment, Santander set up a specialist team of 35 people and reduced the notional amount on its interest rate swaps from €1 million to €50,000. As a result, 80% of SGC's business now stems from this group of clients.

One of the most innovative structured transactions to come out of this channel in the last year was a five-year Spanish inflation-linked product developed for a medium-sized real estate business. Spain's rising inflation and the perception that it will eventually come down and converge with European inflation is encouraging clients to fix inflation to their income streams, explains Madrid-based Jaime Astarloa, head of SGC.

The transaction, which was launched this September and worth €20 million, marks a milestone in the Spanish inflation market. Inflation-linked products have struggled to take off due to the illiquid nature of the Spanish inflation market. Finding two parties that are willing to buy and sell inflation coverage has been a problem, Astarloa notes, which makes this particular deal groundbreaking. SGC expects to close a further 10 inflation-linked deals in the coming months, Astarloa adds.

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Maria Pintado, Santander Asset Management

SGC has also brought innovation to its in-house administration by creating a clearing system that will allow interest-rate swaps, which are Santander's best selling treasury products, to be transacted directly from the bank branch rather than go via the trading floor. This centralised system, which is expected to be rolled out imminently, will help reduce errors and trading costs, Astarloa notes.

While SGC has successfully taken up the challenge of diversifying away from its traditional structured deposits business, Santander's asset management arm has capitalised on the low interest rate environment by launching innovative structured funds.

Approximately 25% of Santander's assets management business (with €77 billion assets under management) in Spain stems from structured funds with sizable assets originating from last year's launch of the Santander Supergestion Series. This four-year 100% capital-guaranteed issue was Spain's first structured retail fund linked to funds of funds and managed through a VaR-based portfolio insurance investment strategy. Due to its active investment strategy, the fund was able to offer investors daily liquidity, a privilege not enjoyed by typical derivatives-based structured funds. "Structured funds do not usually offer daily liquidity because the use of OTC derivatives is expensive. But because the Supergestion series has no derivatives, it can do this," explains Maria Pintado, director of product development at Santander Asset Management.

Why Grupo Santander won

While Grupo Santander is not alone in its quest to forge ahead in Spain's capital guaranteed structured funds market, it has clearly stood out as a provider that has brought both innovation and value to retail investors. This, along with its ability to expand its retail treasury business by identifying new client segments and making the necessary changes to accommodate them, puts the Spanish bank in a different league from its competitors.

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