



Best index provider

FTSE

> When *Structured Products* asked financial advisers what the brand appeal of various indexes were as part of our inaugural survey (see July/August, p.10) it came as no surprise that FTSE was particularly well regarded. Indeed, the index provider has responded to market needs and continues to offer new and innovative indexes that provide structured product issuers with choice and flexibility.

Just last month FTSE introduced a new approach to equity indexing through the launch of the Global Wealth Allocation (GWA) index series. The series, which began calculation on October 17, contains nine indexes, which are weighted by wealth rather than traditional market capitalisation.

Investment consultants have welcomed these new indexes and believe that they will become a complement to – or even replacement for – cap-weighted. Licences to create financial products based on the FTSE GWA Series have already been issued to Legal & General Investment Management and State Street Global Advisors.

Also last month, FTSE and Private Banking Index Limited (PriBIL) signed an agreement to create a new FTSE Private Banking Index Series, expected to launch early in 2006.

The FTSE Private Banking Index Series will provide a unique set of tools for high-net-worth investors and their banks to benchmark their multi-asset class investment. It will also create potential opportunities for the development of innovative investment products, such as index-linked funds, exchange-traded funds (ETFs) and derivative products. The series' constituents and asset allocation will be determined by a dedicated group of private bank index members and will be calculated in a range of currencies to meet investor demand.

"We ensure that we have indexes available to meet market demand, and we respond to demand for completely new products where required," says Imogen Dillon Hatcher, FTSE Europe's London-based managing director, Europe Middle East and Africa. "To date products have been created on a diverse range of indexes from FTSE Hedge, for Barclays Capital to FTSE4Good UK, for the UK's Co-op Bank."

Dillon Hatcher concedes that the FTSE 100 is the index provider's best-known index, and attracts a lot of structured products, particularly from the retail issuers.

But there is also demand for more specialised indexes covering other parts of the market, and other asset classes too, she adds, meaning that more and more issuers have turned to FTSE for a specialised index on which to base their structured products.

"A great example of this can be seen with the FTSE EPRA NAREIT Index Series. Growth bonds, index-linked notes, capital-secured funds and over-the-counter (OTC) notes have been issued against the FTSE EPRA/NAREIT Series," Dillon Hatcher notes. "The strong performance of real estate sector has ensured investor interest, and the development of real-time tradable indexes within this series has been a key feature in attracting more issuers to these FTSE indexes."

Other indexes that have attracted structured product manufacturers include the FTSE Xinhua (FXI) China 25 and A50. These offer investors exposure to the fast-growing companies listed on Chinese exchanges in Shanghai and Shenzhen, and are proving popular as the basis of equity-linked notes and OTC products from institutions worldwide. "By using a reliable and trusted brand such as FTSE, investors can be confident that they have liquidity screens, free-float adjustments and independent and objective governance built into the index," Dillon Hatcher says.

In Europe, meanwhile, the FTSEurofirst 80 has proved to be particularly successful index with structured product issuers. It was created in partnership with Euronext and has proved itself to be the preferred index for the pan-European market, Dillon Hatcher claims. It was used as the basis of 13 new structured products in a six-month period between January and June 2005, attracting issuers from across Europe, such as Société Générale, BNP Paribas, Lyxor Asset Management, and Portugal's Banco de Investimento Global.

"This year, we have worked with Nasdaq to provide a totally new way to access its markets – the results are the FTSE Nasdaq 500, as well as large, mid- and small-cap indexes," Dillon Hatcher adds. "We were also selected by a consortium of five stock exchanges (Singapore, Philippines, Malaysia, Indonesia and Thailand) to create FTSE/ASEAN Series, which offers exposure to the ASEAN region's markets."

Why FTSE won

FTSE's brand appeal is obvious. And the index provider says it will continue to develop tradable indexes for use in structured products and ETFs across the international markets. The success of the FTSE EPRA NAREIT Real Estate indexes is such that the provider is already looking at how to expand that series – the introduction of sector and country-specific sub-indexes is a real possibility.