

House of the year, equity derivatives

SG Corporate & Investment Banking



Laurent Seyer, SG Corporate & Investment Banking

> In the past year, SG Corporate & Investment Banking (SG CIB) has added more than 100 people to its global equity derivatives front-office teams, making it one of the most developed and fast-growing equity derivatives platforms in the market. The 510-strong front-office team with which the bank started in 2000 has grown to more than 800 people today. "More than half are dedicated to developing structured products," explains Laurent Seyer, Paris-based structured investments director at SG CIB. And yet more staff growth is planned before the end of the year, he says.

Compounded by the strength of a large team, SG CIB spent the last 12 months stamping its mark across the globe. In February it secured a position as North America's largest structured alternative investment provider with the acquisition of Bank of America's (BoA) hedge fund-linked structured alternative investment business. And in Japan it structured the first retail hedge fund-linked product for Nikko Cordial Securities which raised a nominal value of \$220 million.

In Europe, it was one of the first structurers to come to market with a range of Vega-plus structured products designed to take advantage of last year's low volatility extremes.

Last year, SG CIB responded to the needs of a large European financial institution that wanted to protect the value of its proprietary portfolio against macro-economic changes in several regions across the globe while generating strong revenues in the medium-term, by developing a series of products using the market-neutral dispersion strategy. Dispersion works like an equity long-short strategy, in which an investor is systematically

long on the best-performing stocks and short on the lowest-performing stocks relative to the performance of a basket of stocks. It is a strategy that is usually developed only for select clients such as hedge funds and those who are already invested in hedge funds.

At least five dispersion deals based on different baskets of stocks were launched for the client between March and June when three-year volatility reached a historic low, allowing it to purchase volatility cheaply. "But with the pick-up in volatility that has occurred since then, and the rally in the equity markets, the strategies have delivered on average +9% performance so far," Seyer says.

Seyer adds that SG CIB was the entity that initially came up with the idea for a Vega-sensitive hybrid product for Grupo Santander entitled "Santander Doble Oportunidad FI," which raised €1.1 billion. Although Santander used more than one counterparty for the transaction, the structure was borne as a result of an SG CIB-led innovation derived from its Click Oblig concept, Seyer says.

The Click Oblig range consists of retail products that start with an initial exposure to equity markets with the aim of being transformed into a high-income capital-protected bond (providing equity markets do not fall below a given level). This product was designed for retail investors who have been tied to cash and bonds for the past few years but have seen their returns dip following the slide in interest rates, Seyer explains. It was launched between the end of 2004 and early 2005 for distribution via the independent financial community in Benelux, Switzerland and France. The Click Oblig range raised €500 million between January and April 2005 and is the most successful product sold to the IFA market in Europe, Seyer says.

Another successful hybrid capital-guaranteed product launched at French institutions was the Alpha issue, which offered an annual coupon which paid (as soon as the Alpha mechanism was triggered) the "best of" between long-term swap rates and any move in the equity markets. The concept is now being marketed in other regions.

Why SG CIB won

SG CIB's commitment to internal growth through active recruitment has resulted in one of the fastest-growing equity derivatives teams in the market. In addition to the many milestones it has reached across Asia and the US in the last 12 months, SG CIB has been successful in reacting quickly to changing market conditions in Europe.