FINAL

EUROPEAN STRUCTURED INVESTMENT PRODUCTS ASSOCIATION

To:
Autoriteit Financiële Markten (AFM)
To whom it may concern

Sent per mail to reactieTurbo@afm.nl

Brussels, 22 January 2021

Ref.:
Consultation launched by Dutch regulator for financial markets AFM on introducing intervention measures in the market of leverage products in the format of "Turbos" (voorstel van een besluit, houdende beperkingen aan het op de markt brengen, verspreiden of het verkopen van Turbo's aan niet-professionele cliënten in verband met Verordening (EU) nr. 600/2014 van het Europees Parlement en de Raad van 15 mei 2014 en de Wet op het financieel toezicht)**, hereinafter called "Turbo intervention consultation"**

Dear Madam or Sir,

By way of this letter the European Structured Investment Products Association (EUSIPA), which is the umbrella association for issuers of structured products in Europe and in which the Dutch issuer association (NEDSIPA) is a member, wishes to set out its response to the "Turbo intervention consultation", seeking to raise our fundamental concerns relating to the envisaged intervention measures in the Dutch Turbo market.

These our concerns relate to the intended leverage restriction, set out in Article 2, point 1 and detailed in annex I of the intended draft measures as well as the inclusion of risk warnings as are set out as distribution condition in article 2 point 3 and detailed in annex II of the intended draft measures. The arguments supporting our criticism of above planned intervention measures can be grouped as follows:

1. **Fundamental concerns** on intervening in the EU leverage products market on a national scale,
2. **Assumed misconceptions** as for the commercial context of investing/trading in Turbos,
3. **Relevant major technical shortcomings** in the analysis underpinning AFM's intervention plans,
4. **Conclusions** from the above.

EUSIPA (aisbl-ivzw)
Rond-Point Schuman 2-4
Level 6
B-1040 Brussels
Belgium

Phone +32 (0) 2 550 34 15
Mail secretariat@eusipa.org
Web www.eusipa.org

Chairwoman
Heike Arbter

Vice-President
Roger Studer

Secretary General
Thomas Wulf

Board of Directors
Jean-Philippe Cavrois
Florence Devleeschouwer
Joakim Alpius
Zak De Mariveles
Erik Mauritz
Dr Henning Bergmann
Dario Savoia
Jürg Stähelin
Frank Weingarts

Bank Account
ING Belgium
IBAN: BE 53 310177409753
BIC: BBRUBEBB

International Non-Profit
Association
(Association Internationale
Sans But Lucratif)
R.L.E. (Brussels): 0806.241.432

General remark

Before laying out our arguments in more detail we wish to voice our general discomfort with the notion of the AFM consultation paper giving background on the planned interventions insofar that, instead of establishing a fair assessment of the markets in Turbo instruments, it seems **rather to be built on the assumption or even prejudice** that Turbos are investment instruments which:

- Carry with them an overproportionate loss likelihood,
- Are launched for speculative purposes only,
- Are not sufficiently transparent for typical retail investors,
- Are strictly, and in part as a consequence of the above claims, to be seen as being on equal footing with other instruments that have given rise to a substantial level of investor dissatisfaction and corresponding regulatory intervention in the past, notably "Contracts For Difference" (CFDs).

EUSIPA strongly advocates <u>against</u> each of these arguments. They are not sufficiently based on factual evidence and they are also erroneous in terms of referred technical and commercial aspects. They do, for that reason, not represent an adequate basis for a regulatory intervention under article 42 II MiFIR. Instead, the AFM would run the danger of distorting, by pursuing their one-sided engagement in the planned intervention measures, a market segment for which from both an industry and even more importantly, from a consumer/retail investor perspective, an EU-wide well-functioning level playing field exists today.

Comments in detail

Below we set out in more detail the comments on the single items mentioned in the introduction.

1. Fundamental concerns on intervening in the EU markets in listed Turbos on a national scale

a) Turbos are an EU-wide established highly standardized financial product, traded in a highly liquid and transparent manner and on public venues where issuer competition ensures fair prices.

EUSIPA and its members strongly argue against the necessity or usefulness of intervening in the EU markets of listed leverage products in the format of Turbos by way of national regulatory measures, especially in view the existing level playing field for these products in the EU.

The EU markets in listed leverage products represent a well-established, highly standardized, and liquid asset class that is present already for decades across major stock exchanges and MTFs. For illustrative purposes, reference is made to the recent version of the

EUSIPA Quarterly Report (link), capturing the relevant parameters of turnover and number of leverage products across the main European markets all of which are assembled under the roof of our association.

An important aspect that the EUSIPA Quarterly Report does not show however, is that the **listed leverage products market in the EU truly functions on a cross-border basis**, being one of the few asset classes where such is the case. To illustrate, almost all leverage products in Turbo format sold to Dutch investors are listed on the new Multilateral Trading Facility (MTF) of Euronext, regulated by the French capital markets regulator AMF. The same can be observed in other EU markets. Stock exchange and MTF operator Nordic Growth Markets (NGM) in Stockholm, to give another example, plays a similar role for leverage products distribution in the Nordic countries as Euronext Paris plays in Western Europe, outside Germany.

The fact that offering of and trade in Turbos within the EU takes exclusively place on public trading venues makes the Turbo markets highly transparent to retail investors as it allows them to **easily compare the bid-offer spread as key distinguishing feature of a Turbo** offered with the same maturity, underlying and leverage factor by various providers. Moreover, this comparability also leads, as a side effect, to a **highly competitive pressure on the providers to offer interesting (read narrow) bid-offer spreads**, which is a market feature that clearly works out, to state the obvious, to the investor's advantage.

In light of the before EUSIPA is convinced that the Dutch market in Turbos is an integral, transparent and well-established part of EU public capital markets in leverage products which should not be put on the same footing with markets in other asset classes, such as CFDs, which differ in many regards.

Turbos are distinctly different from other financial products, in a particular CFDs. The main differences are:

- The maximum loss an investor can incur with Turbos is limited to the initial investment, which generally remains a relatively small amount. With many CFDs investors can lose more than they invested, per position.
- Almost all Turbos are listed on the Euronext Stock Exchange, a regulated market licensed by the Dutch Ministry of Finance ensuring the application of European and Dutch rules and their supervision, including negotiation and liquidity in the secondary market.
- All Turbos sold to retail investors are publicly offered and hence strictly require prospectuses all of which are approved by regulatory authorities within The Netherlands or other EU countries. CFDs are not securities and hence not require a prospectus.

- The hedging of positions by the issuer does not conflict with the interests of the client. Contrary to common belief, the economic model behind leverage products, including

Turbos is not based on a zero-sum game. The issuer of securities does not intend to benefit from customer anticipation errors. Economically the hedging model relies, as the markets of professionals, on the issuer's ability to hedge the risk initiated by the position of the investor, benefiting from a size effect ("global hedging"). This risk hedging policy is opposed to the practice of several players in the universe of CFDs and binary options. The latter have applied risky economic model, positioning themselves as direct counterparty to the client positions, without hedging.

- A further aspect in which Turbos and CFDs substantially differ and whose significance will be looked at further below, is the level of investor complaints in the Dutch market prior to the 2018 interventions of ESMA in the CFD market. These investor complaints were of a very significant level for CFD instruments while being almost completely absent, in line with the situation today, in the area of Turbos.

Overall and beyond the above reflections specific to the Turbo market, we wish to mark-up that up until now The Netherlands, in line with a few other countries, have been known within the European Union as marketplace following a sensible approach to financial sector regulation. In the area of derivatives and structured products regulation its focus seemed rather to be put on ensuring that issuers had the necessary internal governance provisions in place that ensured a financial product being sold to the customer it was meant for and wanted by. This notion EUSIPA strongly and unconditionally supports.

Implementing the intended intervention measures however would single out the Dutch market from the existing EU-wide level-playing field of leverage products, and transfer to foreign investors, without any need, the notion of regulatory red tape which we think is absolutely not what your authority actually intends.

Extraterritoriality

The clearly voiced intention[1] of the AFM to apply the envisaged intervention measures also outside the Dutch market, insofar as firms operating (from) within the Netherlands offer Turbos in other EU markets, seems to us already for reasons set out further below (of an EU-wide consistently low complaint level and absent interventions/intervention plans by other authorities), particularly misguided.

Seeking to extend the regulatory scope beyond the Dutch market though, would also collide potentially with European law as the intervention powers for national authorities as set out in article 42 MiFIR are clearly not meant to enable national regulators to intervene in the business of financial market participants operating in EU markets outside the regulator's home

[1] AFM consultation paper, section 2., point 10, 2nd sentence

jurisdiction (here: The Netherlands) purely based on the fact the market participant also has operations in the Dutch market.
In case the extraterritorial application of the planned intervention measures is to be rather understood in the sense that the interventions are planned to apply to financial markets participants whose main company seat is registered in and whose main business operations are carried out in The Netherlands, a clarification is needed. The latter non-withstanding EUSIPA would still question the usefulness and adequacy of the intervention measures being applicable to the operations of even these market participants outside The Netherlands.

b) Compliance of manufacturers and distributors with EU-wide MIFID standards adequately protects investors, as is demonstrated by an absence of regulatory focus in other markets and consistently low investor complaint levels.

In view of before described market infrastructure, the fact that **no other national regulator in Europe so far has intervened in the market of listed Turbos**, wins a particular importance in our eyes. This observation does however not come as a surprise to us.

The stringent regulatory framework applicable to retail capital markets in the EU requires, as you are aware, for each financial product sold to a retail investor not only the compliance with the product governance rules at the manufacturer's end but also with the target market definition and appropriateness assessment at the level of any product distribution to retail investors, as is set out in the relevant MIFID rules. We do not share the view[2] of AFM that the compliance with these requirements is per se not a sufficient safeguard against Turbos ending up in the portfolios of investors which for vaguely defined reasons of consumer protection should not have (access to) them.
Rather than broadly assuming a deficiency of EU rules precisely meant to capture investor protection aspects (as the MIFID rules on target market and product appropriateness are), we would suggest using as a key indicator for whether a consumer protection need that requires specific attention is likely to exist, the **level of individual investor complaints** relating to the product in question.

To our best knowledge though and throughout the EU national markets, the **customer/investor complaints relating to Turbos at issuer-/platform-specific complaint desks or public ombudsman offices are consistently very low**. While we actually consider them to be in most markets substantially lower than for other retail financial products, they should be regarded in our eyes to be, on an overall basis, at least in line with the complaint level of other, more regular financial products sold to/held by retail customers.

[2] AFM consultation paper, points 54 and 55

To say it in different terms, we have no reason to assume that, by and large, the investment results are not in line with the expectations of the vast majority of Turbo retail investors upon the moment of exiting their investment. This observation, to conclude the argument, is ultimately down, in our eyes, to a reasonable and adequate application of relevant MIFID rules in the manufacturing for and distribution of Turbos to retail customers by the financial industry and reflected by the low complaint level.

On a more general note, EUSIPA wishes to underline that it cannot be regarded as sufficient for products to be risky, complex and difficult to understand for "average" retail investors to justify a product intervention. Otherwise, more risky and complex products could generally not be sold to retail investors anymore. This would make the suitability and appropriateness requirement under MiFID largely redundant, which require to look at the individual aspects of the respective specific investor.

The catalogue of relevant conditions considering for product intervention measures provided under MiFIR cannot be used as a "tick the box"-exercise, where it is sufficient to demonstrate that products are, for example, risky and complex to justify product intervention. Rather, regulators are supposed to make an overall assessment which includes the weighting of relevant factors against each other, while respecting the principle that generally, investors have an autonomy in deciding about investments, even risky and complex ones.

Finally, "difficult to understand for retail investors" is not the same as demonstrating that a specific (group of) investor(s) actually did not sufficiently understand the product before investing. It is the latter which would need to be demonstrated to justify a product intervention, which we do not find back in the reasoning of the AFM intervention plans.

Consequently, EUSIPA fundamentally struggles to understand in what way the situation in the Dutch market would suggest that the current application of the MIFID product governance and distribution rules does not adequately and sufficiently protect the domestic investor audience.

c) PRIIPs Comprehension Alert and SRRI level indication are sufficient for making potential investors aware of product risks.

The intended AFM measures foresee several different warning messages to be made available to the investor, culminating in the indication of a provider-specific "loss percentage"[3], related to past performance of products "traded with the specific provider".
EUSIPA strongly disagrees with the necessity and adequacy to include such messages or indicate loss percentages derived from past performances in the precontractual communication and information material shared with retail investors.

[3] Proposed AFM intervention measure as detailed in annex II, part A, point 4

On a more fundamental basis we are convinced that, to capture a situation where a retail investor is supposed to be made aware of specific risks in terms of understanding the functioning of a product and/or its specific performance, the **Comprehension Alert** foreseen under the EU PRIIPS Regulation in its article 8, 3 (b) is a well-suited tool. As part of the PRIIPs document, the Comprehension Alert stands next to the **Summary Risk Rewards Indicator** (SRRI), which for any Turbo product clearly is always set at the highest level (7). Both items, when seen together, deliver in our eyes an adequate alert to potential investors to be extra attentive when deciding upon their investment in a Turbo.

In terms of indicating loss percentages referring to past performance, EUSIPA wishes to underline its general discomfort with such an approach as past performance as such is never a guarantor for and only an unreliable indicator of future performance. For precisely this reason the PRIIPs Regulatory Technical Standards to-date do not foresee the inclusion of past performance, where such is available, in the PRIIPs Key Information Document.

We further do not understand why any loss percentage, the usefulness of which we question also in terms of it being unsuited to the Turbo's commercial context (see below point 2 c), should be indicated on a provider-specific basis. This may wrongly and to the investor's detriment indicate that some Turbos are "better" than others, depending on the provider selling (or offering to trade in) them.
Insofar as the disclosure of a "loss percentage" relates to provider-specific costs components, we would like to point out that despite different cost levels across financial institutions there is no evidence that these (or any other provider-specific features) have led in the past to the market presence of (groups of) Turbo instruments that consistently differ between providers, assuming they have the same maturity, underlying and leverage factor at issuance.

The information on past loss percentages hence does not allow for judging the quality of a newly launched Turbo product. It may rather confuse and misguide investors.
Indicating a provider-specific loss percentage might also set a very negative precedence in the EU level playing field where such information is, for a good reason, not applied in any other product area, as far as known to us.

In summary, EUSIPA struggles to understand why in the Dutch market a specific and in a literal sense excessive set of risk warnings that exceeds the EU rules set out under PRIIPs for precisely the purpose of alerting investors, should be necessary.

2. Assumed misconceptions as for the commercial context when investing/trading in Turbos

Beyond above fundamental concerns, we also like to shed some light on important aspects relating to the commercial (retail) context of investing in Turbos which, as obvious as they may seem to us, may have not become clear when looking into the reasons for investing in Turbos and the motives behind the subsequent trading behaviour from the outside.

a) The performance risk of a Turbo is well balanced and fair. It is also easy to understand.

A Turbo allows for leveraging an investment coupled at a mathematical factor ("leverage factor"). Despite the MIFID categorisation of Turbos as complex products, the basic principle of its functioning is very simple. It can be summed up as follows:

The leverage factor can work in favour, but it can also work (to the same extent) against the investor. The investor can, however, never lose more than the invested amount.

The following graph illustrates this more clearly:

An investor in a Turbo with a leverage factor of …	**2**	**5**	**10**	**20**	**25**	**50**	**100**	
… would **double** his/her investment, if the underlying moves by …	50%	20%	10%	5%	4%	2%	1%	… in line with expectation (e.g. it rises in a "Turbo call").
… would **lose** his/her investment, if the underlying moves by …	50%	20%	10%	5%	4%	2%	1%	… against the expectations (e.g. it falls in a "Turbo call").

Source : EUSIPA

EUSIPA sees no evidence for the vaguely made generalising statement[4] insinuating that, in deviation from above principle, some Turbos do not offer equal levels of win and loss likelihood.

b) Turbos are leverage products which also provide, for the benefit of the investor, a dynamic leverage ratio that functions as a built-in safeguard against (negative) volatility effects.

It is often not understood properly that **Turbos have a specific feature** which de facto prevents excessive diminishing of the product's market value due to a high volatility of the underlying. This is being achieved by a **dynamic leverage factor**. The leverage factor in a Turbo is dynamic as it increases gradually if the underlying moves against expectations but decreases gradually if the underlying moves in line with expectations. This feature is also called "path independence" and **diminishes detrimental volatility effects for the investor**.

[4] AFM consultation paper, point 20, 4th sentence.

Why would the investor in a leverage product be overly exposed to volatility of the underlying?

Usually, the leverage factor leads to a shrinking value once the underlying moves against expectation. However, recovering the initial market value from such a situation would, if the leverage factor is kept continuously at the same level (read not dynamic), require, according to the rules of exponential mathematics, a steep uprise in the underlying's price (concretely, the rise would have to be much steeper than the before fall in the underlying's price) in order to recover the before loss. This effect is neutralised by the Turbo's dynamic leverage factor.

The value of the Turbo is thus not dependent on the underlying moving steadily in one direction only, as with other leverage products (such as "factor certificates") which do offer a constant leverage factor and thus need permanent observation as for the significant impact of any volatility. These products (factor certificates) are however not found in the Dutch market while they are widely spread elsewhere.

Looking at the broader picture of leverage products across Europe, EUSIPA would thus strongly suggest re-considering the assessments of Turbos within the leverage product landscape in terms of their "investor friendliness".

c) AFM focus on "loss percentage" no suitable criterion for measuring the product quality of Turbos

EUSIPA strongly contests the suitability of taking loss values, calculated only based on the value of the turbo (at the end of maturity or at the moment of the Turbo's sale), as a principal measure of the product quality of a Turbo.

Given that any investment on the capital markets comes with the likelihood of a partial or complete loss, the approach is **first and foremost unsuited** as a measure for judging the quality of a financial instrument or prove that investors have an insufficient understanding of the product.

In general, the "loss percentage" of a range of investment instruments is merely reflecting their riskiness. Accordingly, this aspect does not add any relevant feature to the assessment of whether there is sufficient justification for product intervention measures. The latter fundamentally depends on whether products are sold to investors for whom they are not appropriate, what could be the case if they do not understand them sufficiently.

Secondly, but equally important, focusing on a "loss percentage" totally **neglects the hedging role** Turbos play in all markets.
Turbos are, as said before, worldwide existing leverage products that can be used for both hedging and investment purposes. The purpose of a specific position in Turbos can also change between hedging and investment, depending on the existence (or previous or later investment

in) a position consisting of the Turbo's underlying reference value (a specific stock, to take an easy example) in the investor's portfolio.
Insofar as the Turbo investor follows a hedging strategy/investment purpose, the **loss in the Turbo position does actually represent an "insurance fee"-like "calculated loss"**, mirrored by a gain in the value of the hedged position. This correlation between hedging cost (represented by "taking" Turbo position which finally loses its value) and the corresponding gain in the hedged position's value would need to be analyzed before any judgment of a "loss" can be made. We do however not see this important aspect being reflected in the AFM consultation paper or any previous analysis, at all.

Market studies[5] done on leverage products in other EU markets, notably Germany, have shown that taking out losses incurred through hedging fundamentally alters the picture of how "profitable" leverage products are.

d) Value decreasing through financing costs regular market feature and addressed by PRIIPs recommended holding period (RHP)

EUSIPA further is of the opinion that the references made by the AFM consultation document on the impact of cost over time[6] on the value of the Turbo fails to mark up a feature that could be seen as atypically disadvantageous to retail investors.

We again make reference at this point to the impact of the EU PRIIPs Regulatory Technical Standards (RTS) whose importance for the leverage product market has been mentioned before already. These RTS foresee a **Recommended Holding Period of one day for leverage products**, thereby clearly communicating the message that time poses a risk for the value of leverage instruments from many perspectives, including the compounding factor of costs but also the decreasing time value of derivatives, such as options, all of which influence the value of the leverage instrument in line with market standards.

3. Relevant major technical flaws in the analysis underpinning the intervention plans

We have also been made aware of the technical work carried out by AFM ahead of this consultation, in particular its report published on 3 March 2020 ("AFM 2020 report"). While it is not the purpose of this letter to repeat the criticism voiced already by the Dutch colleagues of our national member association in their response to above report, we still would like to seize the occasion to draw the attention to some of the report's objected findings given the fact that these seem to have informed the current intervention plans to a large extent.

[5] Meyers/Boevers/Johanning, "Leveraged Structured Financial Products: trading motives and performance", 2019, pages 3, 8-9 (link)

[6] AFM consultation paper, point 21

We wish to highlight, in particular, below aspects:

a) Lacking consideration of (losses in) non-Turbo products exposed to the same market conditions

The AFM 2020 report does **not include a comparative analysis** between transactions in Turbo markets with investments in other financial instruments (equities and options), so that it does not deliver a conclusion on whether there is a general pattern or correlation between leverage products in a Turbo format and other leverage or non-leverage products.
This point is of particular relevance here as in the consultation paper the AFM frequently marks up theoretical differences to a direct investment in an underlying compared to an investment in Turbos but does not show in what way any such difference has or would have concretely materialised in a loss or disadvantage for the retail investor.

b) Trading results differ between groups of Turbo investors, while findings focus only on the small group with high losses / hedging investors not singled out

The AFM 2020 report results are distorted as they focus on large losses of a limited number of investors[7]. Generally, it seems from the report that there are two investor types active in Turbo market: a small group of investors with many transactions and a large group of investors with a relatively small number of transactions. For reasons of good statistical research, it would have been important to take this into account. This could have been done by distinguishing between the two client groups or, as is usual practice in statistical surveys to demonstrate a truly representative sample distribution, by taking the very small group of investors out of the results.

Another biased effect is the lacking separation of hedging investors in the report. As mentioned before, motives and trading behavior of hedging investors differs fundamentally from that of speculative investors, as is reflected in the overproportionate loss share which hedging investors have in leverage products markets elsewhere in the EU that have been extensively analyzed[8].

The AFM 2020 report's findings used to underpin the intervention plans in question here are thus not illustrative nor even indicative of the real market situation and should not be used to derive arguments for regulatory intervention.

---

[7] The small group represents only about 1000 individuals. Overall, 3% of investors are responsible for 46% of all transactions, while 14% of clients are responsible for 81% of the total number of transactions. (see p. 21 of the report)

[8] See footnote 5 above with corresponding reference and link.

c) Loss level of AFM 2020 report not set into context

A key result of the AFM report was that 68 percent of probed investors made an overall loss, which translated to an average total return a per investor of EUR -2.680. This result is as such taken as a main argument[9] in favor of the intervention measures at stake here. The fact however that **54 percent of transaction returns were positive**, despite an average transaction return of -2.9 percent, is totally left out in the depiction of the market situation. It demonstrates again that the report's findings are used on a highly selective basis while illegitimately creating a negative image of the market in Turbos which does not present itself in that way to the majority of retail investors.

d) No consideration of open positions

Turbos are leverage instruments that **typically have no end date** but run indefinitely (until the investor sells back the instrument to the issuer so to exit/liquidate his/her position or until the underlying reference value hits the strike (knock-out) level.

It is a major shortcoming of the AFM report that it only includes closed (sold-back) or knocked-out positions in Turbos for the evaluation of performance and investor losses. Doing so inadequately reduces the field of screened instruments giving a biased emphasis to those that have been loss-making (which are the "knocked out" products). **Many investors however are keeping their positions open if the Turbo is (already) in the money.** This behavior is somewhat linked to the path-independence (see above point 2b) which protects investors against too heavy impacts of the volatility, read the underlying moving against expectations. Many open positions in Turbos which are "in the money" thus represent actually "book" profits and should, for reasons of adequately reflecting the instrument's performance, have been fully considered.

4. Conclusions

Hoping that above sufficiently outlines the background to our concerns and explain the reasons for this letter, we would like to encourage you to reconsider engaging on intervention measures in the Dutch market of leverage products in the format of Turbos.

As demonstrated above, the envisaged product interventions would severely disrupt the level playing field for Turbo products. Given the flaws in the technical analysis underpinning the intervention plans as well as the many misconceptions about nature, understandability of the product and the market context of investing and trading in Turbos, EUSIPA considers the envisaged interventions not meeting the relevant legal conditions set out in article 42 MIFIR for intervention

[9] AFM consultation paper, point 32

measures that would limit the leverage factor and introduce warnings in the investor communication, including the highly objectionable indication of "loss percentages".

Another item that we do not want to elaborate in too much detail in this letter, but which may represent a severe technical hindrance of the AFM intervention plans should they come finally forward, is the **inadequacy of the current MTF governance rules** for systemically switching to a "bid-only" modus as of a certain leverage factor. For a number of reasons such approach runs the danger to disrupt the timely correct and comprehensive provision of pricing information.

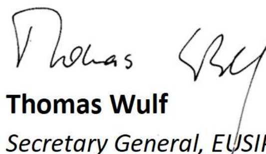
Overall, we would rather encourage AFM to seek, as has been successfully done in other markets before, the dialogue with the industry and address any concerns in a constructive manner thereby reinforcing the emergence of a sustainable, meant as long-term oriented, investor- and market-friendly regulatory environment, which may **focus on reasonable self-regulatory efforts** of the industry.

It goes without saying that we are available for any further background on the technical and market aspects mentioned in the letter, should you consider this helpful.

We explicitly thank you for the consideration of our arguments in advance.

Sincerely,

Heike Arbter
Chairwoman, EUSIPA



Thomas Wulf
Secretary General, EUSIPA

Background on EUSIPA

EUSIPA, the European Structured Investment Products Association was set up in 2009 and is the European umbrella organisation for the issuers of structured products, which includes investment and leverage products alike. Currently, EUSIPA has ten member associations, which are the relevant national trade bodies from Austria (ZFA), Belgium (BELSIPA), France (AFPDB), Germany (DDV), Italy (ACEPI), Luxembourg (LUXSIPA), Sweden (SETIPA), Switzerland (SVSP), The Netherlands (NEDSIPA) and the United Kingdom (UK SPA).

EUSIPA seeks to promote initiatives that enhance the proliferation of market standards and support the transparency of the structured products marketplace. A key tool offered and managed by EUSIPA in that context is the EUSIPA Derivative Map©, the world-wide only mapping of the most prevalent structured products types. It is aimed at professionals and widely used by issuers, distributors and many regulators. The current version can be found here:
https://eusipa.org/wp-content/uploads/European_map_20200213_web.pdf

EUROPEAN STRUCTURED INVESTMENT PRODUCTS ASSOCIATION

The European retail markets in structured products are very diverse and differ in terms of listed/unlisted OTC and in terms of wrapper structures used (bonds, funds, insurance-linked products). For the retail markets in structured notes EUSIPA regularly publishes a market report whose latest version is available here (link):
Market Reports – EUSIPA
The volume currently invested by retail clients in structured products within the EU-27, the UK and Switzerland is estimated at Euro 500 billion.

Please also visit our website under www.eusipa.org for more information.