

WHAT TO LOOK FOR WHEN CHOOSING A STRUCTURED PRODUCTS DISTRIBUTOR

WEEK 2 – IDAD MASTERCLASS

Do your Due Diligence

In recent years we have seen a number of Structured Products providers withdraw from the market, namely Reyker and Investec. Reyker left the market under a cloud in late 2019 having been placed into special administration. As Reyker acted as both Custodian and Administrator it left clients in an unenviable position, with ongoing liquidity issues and no point of contact for further information. Investec left the market in April 2021, citing 'commercial reasons', namely that as a bank they were able to raise retail funding in a more efficient manner via other channels. Unlike Reyker, Investec continues to service their book of live plans via an outsourced administrator.

Who are the underlying administrators?

It is crucial that you look 'under the bonnet' to ensure that you know who the administrator of the product is. As we have seen with Reyker, it can prove to be extremely costly should the administrator (whether that be the distributor themselves or a separate entity) fail to be in a position to administer the plans. It is wise to evaluate the administrator's financial soundness to ensure the product your client has invested in will be administered for the full term.



TOM WARD

The ability to trade with multiple counterparties and seek better pricing

A distributor that holds relationships with multiple counterparties helps mitigate counterparty risk. Recently a counterparty in the UK was unable to release new products due to an over issuance problem. In ensuring that the distributor you use is able to offer products via a variety of counterparties you are ensuring that you are never 'out of the market' at the point that your client may wish to invest. There are also several benefits when it comes to pricing, in not being tied to a sole counterparty the distributor is able to seek out and offer the best possible pricing.

Does your distributor rely solely on Structured Products revenue in one single market?

Using a distributor that has a widely diversified range of revenue, and a global presence should ensure that they are not solely reliant upon revenue from Structured Products or one particular market. Operating in a number of markets helps to mitigate against a potential downturn in markets or regulatory changes that could have an adverse effect on their income.

Longevity and experience

A distributor that has been in the market for a number of years offers a breadth of experience, they're likely to have 'been there and done that' and be able to offer a solution for any issues or queries that may arise.

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