The Prospect News
Structured Products Daily
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Structured Products

	Current Year	Previous Year
U.S. Structured Products (no ETNs)		
Year to Date:	$30.74 billion in 7986 deals	$21.70 billion in 4955 deals
Quarter to Date:	$4.15 billion in 1148 deals	$3.63 billion in 920 deals
Month to Date:	$0.21 billion in 92 deals	$0.32 billion in 167 deals
BREAKDOWN OF YEAR TO DATE DEALS		
Exchange-traded notes	$0.97 billion in 15 deals	$4.83 billion in 303 deals
All U.S. Stock and Equity Index Deals	$27.30 billion in 6742 deals	$20.35 billion in 4270 deals
Single Stock U.S. Structured Products	$3.52 billion in 2461 deals	$2.05 billion in 1185 deals
Stock Index U.S. Structured Products	$22.64 billion in 4026 deals	$17.72 billion in 2958 deals
FX U.S. Structured Products	$0.05 billion in 22 deals	$0.09 billion in 27 deals
Commodity U.S. Structured Products	$0.38 billion in 34 deals	$2.84 billion in 266 deals
Interest Rate Structured Products	$0.35 billion in 44 deals	$0.17 billion in 37 deals
Interest Rate Structured Coupons	$16.55 billion in 726 deals	$34.80 billion in 1445 deals

Scotiabank's capped notes tied to EAFE show 'tiny' geared buffer, double-digit potential gain

By Emma Trincal

New York, Aug. 10 – **Bank of Nova Scotia** plans to price 0% capped buffered enhanced participation notes due in 19 to 22 months linked to the **MSCI EAFE index**, according to a 424B2 filing with the Securities and Exchange Commission.

The payout at maturity will be par plus 1.5 times any index gain, up to a maximum payment of between $1,172.05 and $1,202.20 per $1,000 principal amount.

Investors will receive par if the index falls by up to 5% and will lose 1.0526% for each 1% decline beyond 5%.

For bulls

"This is a cute, tiny little buffer. But it may be handy. You think it's likely to go up but you're not sure. So even 5% is better than no buffer," said Steve Doucette, financial adviser at Proctor Financial.

Since the cap and the tenor are disclosed in a range, Doucette picked the best scenario – the shorter maturity of 19 month and the highest cap at 20.20%.

Under this assumption, investors may expect to get up to 12.75% a year compounded.

"Anytime I see more than 10% return on the upside, clients are going to be happy. So we like it," he said.

"That's when you need to look at the protection side. Am I an optimist and do I think we can turn the corner after a correction? Look, we have momentum, the economy is pretty good. This market could run for the next couple of years.

"If that's your view then the terms are in your favor. And if you're wrong, you still get a little bit of protection."

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DOL to postpone fiduciary rule until July 2019; lawyer expects 'major surgery' with time

By Emma Trincal

New York, Aug. 10 – The Department of Labor said that it seeks to delay by 18 months the date of full implementation of the fiduciary rule, according to a court document it filed on Wednesday as part of a lawsuit in the U.S. District Court for the District of Minnesota.

The transition period for the implementation of the fiduciary rule set to end on Jan. 1, 2018 would therefore be extended to July 1, 2019.

The extension applies to the implementation of some of the major exceptions to the rule, on which market and legal observers have been focusing their attention.

The DOL fiduciary ruling created April 14, 2016 under the Obama administration has not been welcomed in the financial industry, including the structured products space where some points regarding the types of products that may be exempt from the rule or distributed within the same firm remain unclear, lawyers said.

Exemptions

According to the rule, any adviser servicing the retirement account of a retail client must be a fiduciary and abide by an "impartial code of conducts standard." As a result, brokers catering to these clients,

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Inoffensive gear

Doucette was not concerned by the small size of the buffer although he said he found it unusual.

"I haven't seen a 5% buffer, let alone with downside leverage," he said.

But the gearing was not a drawback for him.

"You're still ahead. This one is so small, it's going to take even more time to take you down," he said.

"Nobody wants to be levered down. But it's so marginal and you still outperform on the way down."

More importantly: the small downside protection allowed the issuer to price a "decent cap" with leverage, he concluded.

Specifics, please

Matt Medeiros, president and chief executive of the Institute for Wealth Management, had a different opinion. To him, a direct investment in the index fund would be a better alternative to this product.

"I am struggling to understand how this particular note makes sense," Medeiros said.

"I like the underlier but if I want to invest through a note, I would certainly want a more substantial buffer."

The fact that two of the terms of the product were stated in a range rather than defined was also a source of disappointment.

"If I wanted to make a final determination, I would want specific terms regarding the maturity and the cap.

"At this point I would say it's an idea but not an investable idea."

Cap versus buffer

The risk-adjusted return was his main concern. The cap, even on the highest end of the range, was not "acceptable" for this particular index, he said.

"A 5% buffer with this index is really insignificant relative to the fact that a 5% pullback could happen in a week," he noted.

"We like this index. We think it has upside potential.

"This is why we think the cap is not acceptable. The buffer is too low relative to this cap."

The high credit quality of the issuer may explain the "weakness" of the pricing, he said.

"Canadian banks have tighter spreads and that's the implied reason, for sure."

Scotia Capital (USA) Inc. is the underwriter with Goldman Sachs & Co. LLC as dealer.

The Cusip number is 064159JZ0.

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unless they meet certain requirements, may only charge a fee.

The exemptions allow advisers and brokers to continue to earn a commission under terms enunciated by the rule. The main one is the Best Interest Contract Exemption ("BICE" or "BIC") but also the principal transactions exemption.

"Those exemptions are in effect right now but generally require only compliance with the impartial conduct standards during the transition period," explained Marcia Wagner, lawyer at the Wagner Law Group, in a note to clients.

A long break

This provides relief during that temporary period to brokers.

When the transition period ends, the full conditions of the BICE become more constraining, especially in the matter of giving clients expanded rights to litigate.

The Labor Department filed the extension with the Office of Management and Budget on Wednesday. A notice of submission was made public on Thursday. It may take a few days before publication in the Federal Register, a lawyer said, adding that he expects to see the filing published next week.

This lawyer said he did not anticipate seeing amendments in the filing.

"I don't know what the thinking is ... until it's published it's hard to tell," he said.

The extension itself was news.

"I'm not at all surprised by it. It was clearly signaled before," he said.

"But I'm surprised by the length. We now have 24 months ahead of us. It's a long time," he said.

The DOL already filed to postpone the application of the rule in late March, which is when the partial implementation date was pushed back to June 9 from April.

Uncertainty

As those exemptions provide some relief from the rule, firms have been closely following dates and conditions of implementation. The 18-month extension now gives brokers and issuers even more time than anticipated to further adjust and comply with the fiduciary rule.

Some firms such as Bank of America and JPMorgan have decided to comply with the rule –and therefore not use the BICE exemption – moving retirees' assets into

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fee-only accounts.

But many others, including Morgan Stanley and Raymond James, will continue to charge commissions on retirement accounts as permitted by the rule's exemptions.

The extension will also give the industry more time to comment on the rule. Labor secretary Alexander Acosta issued a request for comment at the end of June.

By now most firms have made the necessary investments in time and compliance effort to be ready for the rule, sellsiders say.

The extension is big news for the structured products industry. But is it good news?

"This will be met with mixed feelings," the lawyer said.

"The positive feeling will be predicated on the assumption that (a) a substantial rewrite is being contemplated. BIC and the principal transaction are probably facing some major surgery and (b) nobody knows it until you see it, but some of the problematic aspects of the rule will be revised.

"The negative is that we have another 18 months of uncertainty. Uncertainty is a source of anxiety. It makes it difficult for people to make long-term plans. Most businesses need to plan things ahead.

"While the prospect of a big revision is welcome, the fact that we may be living in uncertainty until mid-2019 is going to be a source of concern," the lawyer said.

Barclays plans contingent income callable notes tied to Euro Stoxx 50

By Susanna Moon

Chicago, Aug. 10 – **Barclays Bank plc** plans to price contingent income callable securities due Sept. 5, 2024 linked to the **Euro Stoxx 50 index**, according to a 424B2 filing with the Securities and Exchange Commission.

The notes will pay a contingent quarterly coupon at an annual rate of 7.55% if the index closes at or above its 75% coupon barrier on the determination date for that quarter.

The notes are callable at par on any contingent coupon payment date other than the final date after one year.

The payout at maturity will be par plus the contingent coupon unless the index finishes below its 75% downside threshold, in which case investors will be fully exposed to any losses.

Barclays is the agent. Morgan Stanley Wealth Management is the dealer.

The notes will price on Aug. 31 and settle on Sept. 6.

The Cusip number is 06744CGG0.

Barclays plans three-year market-linked step-up notes tied to the Dow

By Susanna Moon

Chicago, Aug. 10 – **Barclays Bank plc** plans to price market-linked step-up notes due August 2020 linked to the **Dow Jones industrial average**, according to a 424B2 filing with the Securities and Exchange Commission.

If the index finishes above the step-up level, 116% to 122% of the initial level, the payout at maturity will be par plus the gain.

If the index gains by up to the step-up level, the payout will be par plus the step-up return of 16% to 22%.

Otherwise, investors will receive par plus the return with exposure to any losses.

BofA Merrill Lynch is the agent.

The notes will price and settle in August.

Barclays to price contingent buffered notes linked to S&P 500

By Marisa Wong

Morgantown, W.Va., Aug. 10 – **Barclays Bank plc** plans to price 0% contingent buffered notes due Feb. 13, 2019 linked to **S&P 500 index**, according to a 424B2 filing with the Securities and Exchange Commission.

If the index finishes above its initial level, the payout at maturity will be par plus the index return.

If the index declines but finishes at or above the 85.75% barrier level, the payout will be par.

Otherwise, investors will lose 1% for every 1% that the index declines from its initial level.

Barclays is the agent with J.P. Morgan Securities LLC and JPMorgan Chase Bank, NA as placement agents.

The notes will price on Aug. 11.

The Cusip number is 06744CGM7.