

Structured Notes

Structured Notes (SNs) are a combination of fixed income product and derivatives with mostly a maturity less than 270 days. The coupon on structured notes depends on the underlying asset which can be individual stock, group of stocks, stock indexes, foreign exchange, etc. The return of principal can be money or physical underlying asset, depending on performance of the underlying asset.



Features

- The return of principal depends on value of underlying asset on the final fixing date.
- Structured Notes have strike price and trigger price that may make the return payment different from the consent on trade date.
- Structured Notes have observation date(s) monthly, quarterly, and daily.
- Structured Notes have both autocallable and non-autocallable features.
- Structured Notes are complex and high-risk product because they have embedded options.



Types of Structured Notes

- ✓ Fixed Coupon Note (FCN)
- ✓ Equity Linked Note (ELN)
- ✓ Bonus Enhanced Note (BEN)
- ✓ Etc.



Who are SNs Suitable for?

- ✓ For the investors who expect to receive coupon consistently payment and also can take risk if receive physical stocks
- ✓ For the investors who expect to receive stock at lower than market price.
- ✓ For the investors who expect to customize note best fit their investment purpose.



Related Risks

- Market Risk
- Credit Risk
- Liquidity Risk
- Currency Risk
- Other risks such as an unpredictable event of the underlying, a change of underlying's policy, a merger, a structural change that may affect a negative impact on the underlying's price, etc.

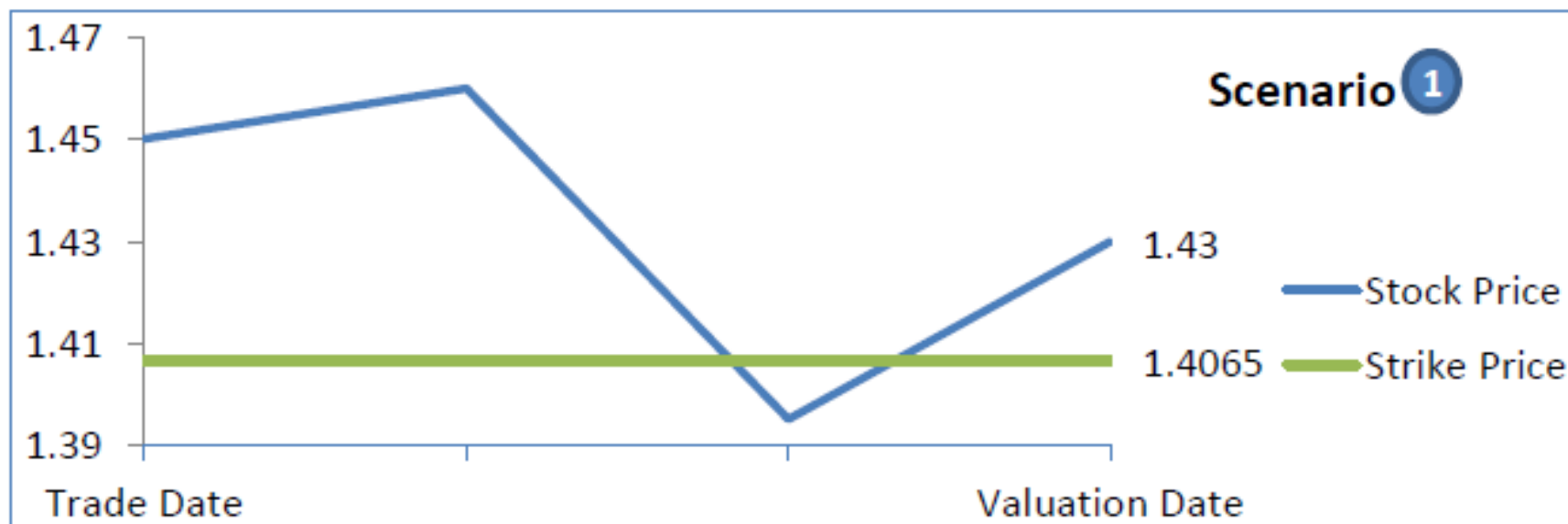
Minimum investing amount of Structured Notes is \$100,000


EQUITY LINKED NOTES (ELNs)

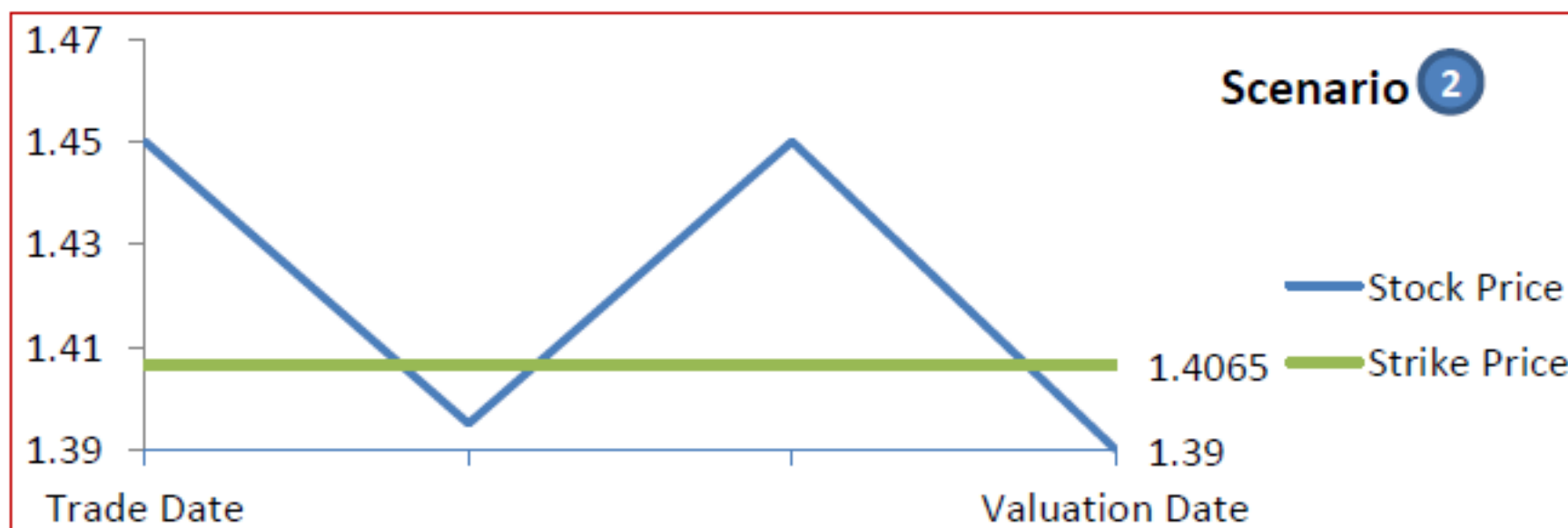
“Equity Linked Notes (ELNS)” a type of structured notes that provide new investment strategy in the sideways markets which can be used as a strategy to buy stocks at lower market price.


By investing in ELNs, investors can customize their own note to meet their needs. Investors can choose **underlying assets, period, strike price, etc.** to best fit their risk and return.

How does ELN work?



 Close price of underlying \geq Strike Price
Investor gets **Principal + Yield**



 Close price of underlying $<$ Strike Price
Investor gets **Underlying asset + Cash Difference**



ELNs Payoff

| | |
|-------------------------|--------------|
| Underlying Asset | Apple |
| Notional Amount | USD 100,000 |
| Tenor | 1 month |
| Spot Price | USD 100 |
| Strike Price | USD 85 (85%) |
| Issue Price | 99% |
| Yield | 12% p.a. |

Cash



Yield

Scenario 1 : Close price on Final Fixing Date \geq Strike Price

Investor buys at $\text{USD } 100,000 \times 99\% = \text{USD } 99,000$ (Day 1)

On Final Fixing Date If Apple closes at $\text{USD } 95 \geq \text{USD } 85$;

Investor will get cash $\text{USD } 100,000$

Investor will receive $\text{USD } 100,000 - 99,000 = \text{USD } 1,000$ or Yield 12% p.a.

Shares



Yield



Fractions
of ULs

Scenario 2 : Close price on Final Fixing Date $<$ Strike Price

Investor buys at $\text{USD } 100,000 \times 99\% = \text{USD } 99,000$ (Day 1)

On Final Fixing Date If Apple closes at $\text{USD } 80 < \text{USD } 85$;

Investor will get Apple shares $\text{USD } 100,000 / \$85 = 1,176.47$ (get 1,176 shares)

Fraction of underlyings will be paid in cash $(1176.47 - 1176) \times 80 = \text{USD } 37.60$

(Total shares calculated by notional amount at USD100,000)











Fixed Coupon Notes(FCNs)

“**Fixed Coupon Notes (FCNs)**” is a type of structured notes that underlied on assets such as individual stock, stock indexes etc. Investing in FCNs, investors can invest between 1-6 months and get monthly coupon.

One of significant features of FCNs is an autocallable feature, a right for issuer to make early redemption.



FCNs

| | | |
|--|------------------|---|
|  | Underlying Asset | A stock, group of stocks, stock index |
|  | Initial Price | Spot price on trade date |
|  | Strike Price | The right to buy/sell underlying asset in the future, dealing today |
|  | Final Price | Close price on Final Fixing Date |
|  | Coupon | Profits that issuer promise to pay |
|  | Tenor | Period of investment |
|  | Auto call | A right for issuer to make an early redemption |
|  | Knock In | A trigger level that determine the return payment |
|  | Observation date | Value date of the notes |
|  | Maturity Date | Redemption date of the notes |

Fixed Coupon Notes(FCNs)

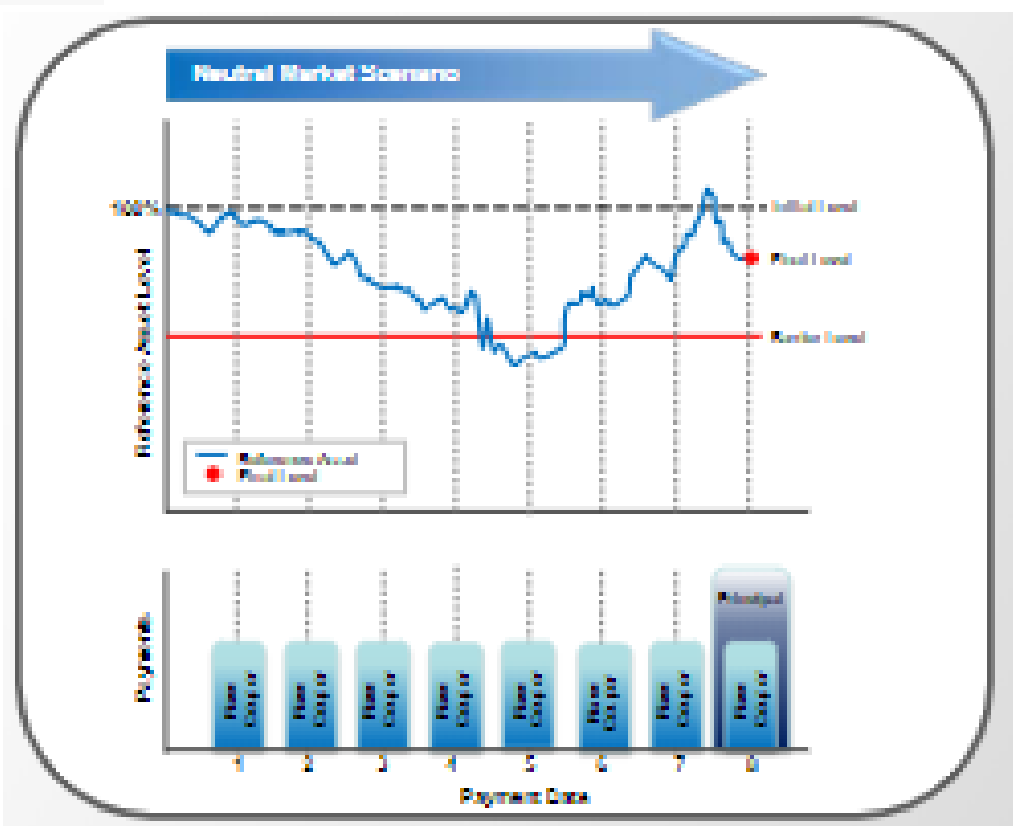
“**Fixed Coupon Notes (FCNs)**” is a type of structured notes with underlied to any assets such as individual stock, stock indexes etc. Investing in FCNs, investors are be able to invest between 1-6 months and get coupon monthly.

One of special features of FCNs is an autocallable feature, it is a right for issuer to make early redemption.

Two most popular FCNs

1

FCN Auto Call without Knock-In



On Final Fixing Date*



If close price \geq Strike price;
Investor will get principal + coupon



If close price $<$ Strike price;
Investor will get physical stock +
cash (fraction of underlyings)

*In case of “Auto call” event occur, Investor will get coupon on that month plus principal

Who are suitable for FCNs?

- ✓ Expecting to receive monthly coupon payment as recurring income
- ✓ Expecting higher yields than deposit rate or fixed income products
- ✓ Be able to take risk of physical underlying assets settlement
- ✓ Be able to invest on 3-6 months time horizon
- ✓ Diversification into offshore investment

Fixed Coupon Notes(FCNs)

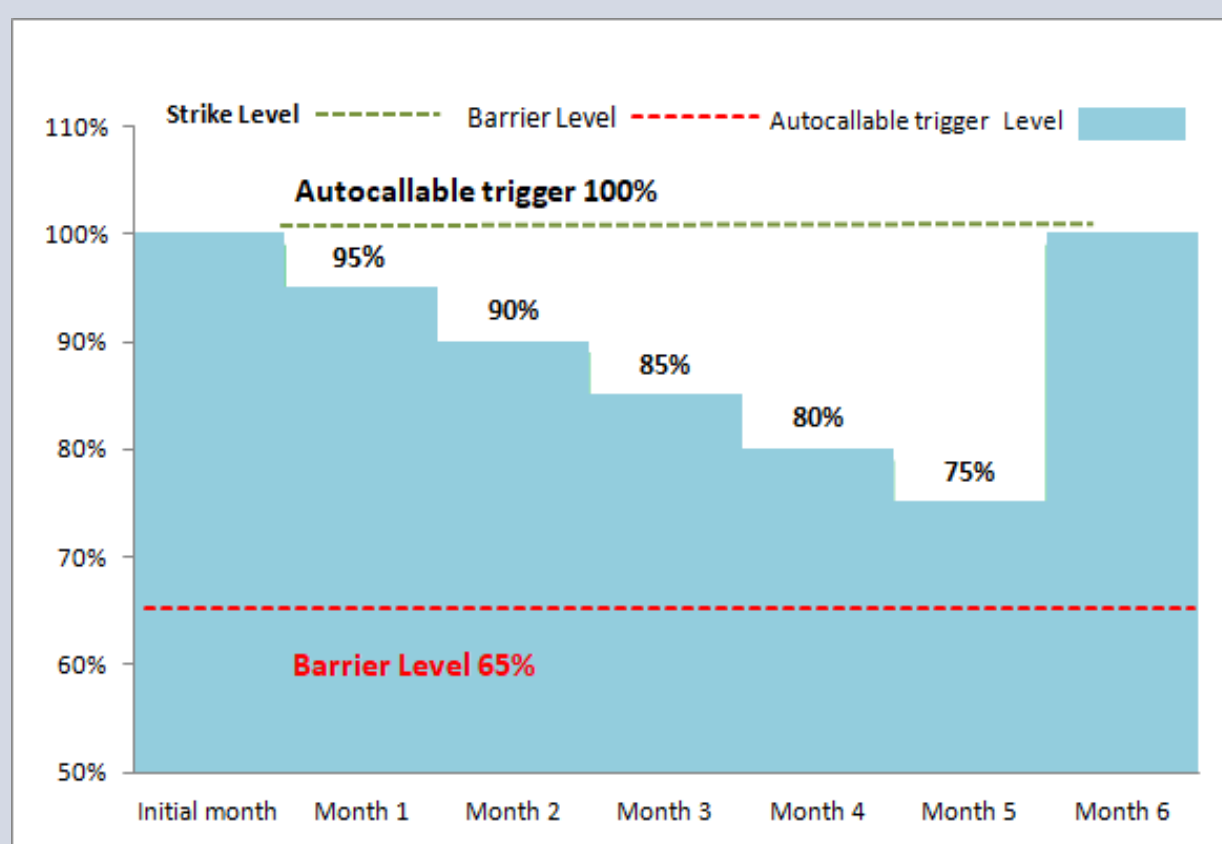
“Fixed Coupon Notes (FCNs)” is a type of structured products with underlied to assets such as underlying stock, stock index etc. Investing in FCNs, investors can invest between 1-6 months and get monthly coupon.

One of special features of FCNs is an autocallable feature, it is a right for issuer to make early redemption.

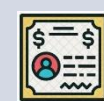
Two most popular FCNs

2 FCN Step Down Auto Call with Knock-In

Example Spot 100%, Strike 100%, KI level 65%, Call level between 75% - 95%



At maturity



If close price $\geq 100\%$;

Investor will get principal + coupon



If close price $< 100\%$

Investor will get physical stock + cash
(fraction of underlyings)

*In case of “Auto call” event occur, Investor will get coupon on that month plus principal

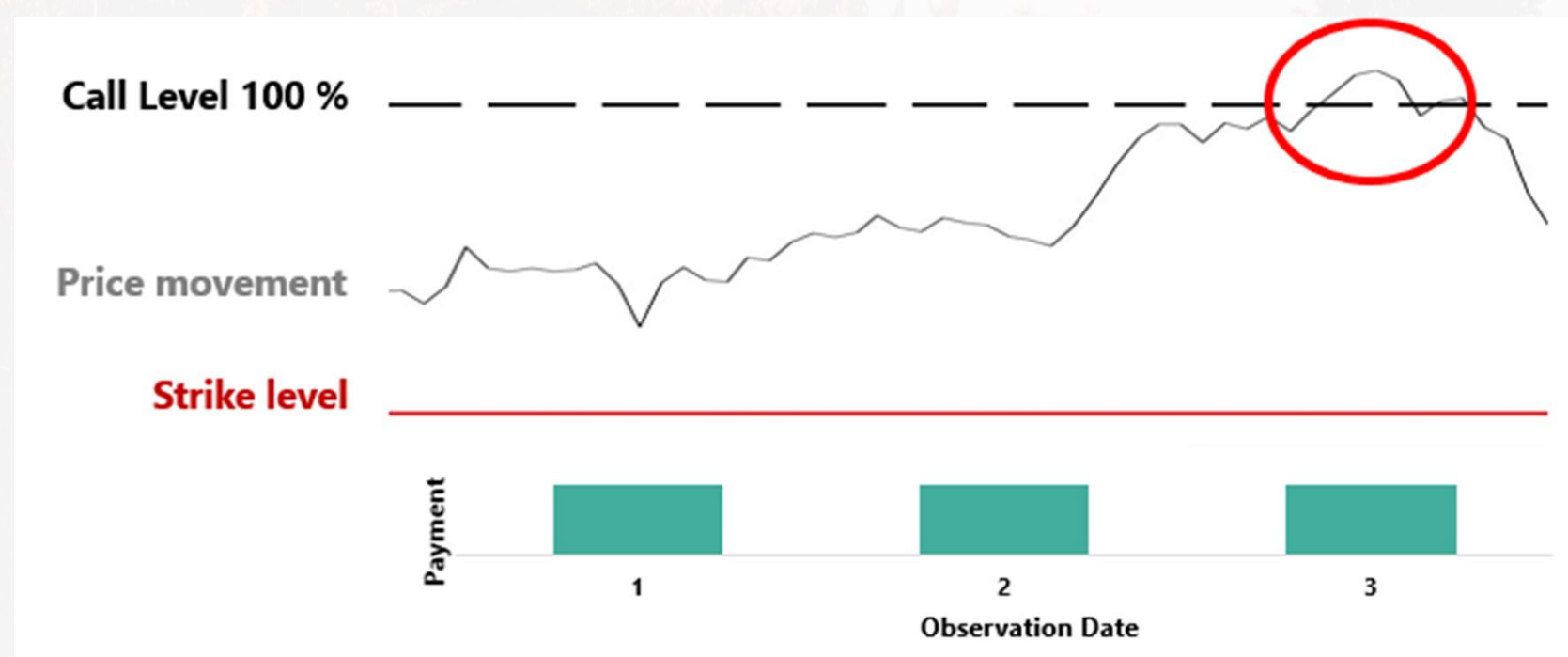
Features

- ✓ Easier to be called (early redemption) than any other types of Structured Notes
- ✓ Best appropriate for Sideways market
- ✓ It will be called on 1^s month – 5th month ‘If underlying asset at or above 95%, 90%, 85%, 80%, 75% respectively
- ✓ If the note has not been called, investor will get physical asset settlement if the value of final price lower than 100% (strike price) on observation date
- ✓ Investor will receive the worst performer of underlying asset

FCN Auto Call No Knock-In Payoff

| | |
|----------------------------|-------------------------|
| Underlying Asset | Apple |
| Notional Amount | USD 100,000 |
| Tenor | 6 months |
| Spot Price | USD 100 |
| Strike Price | USD 85 (Strike 85%) |
| Auto Callable Price | USD 95 (Call Level 95%) |
| Yield | 12% p.a. |

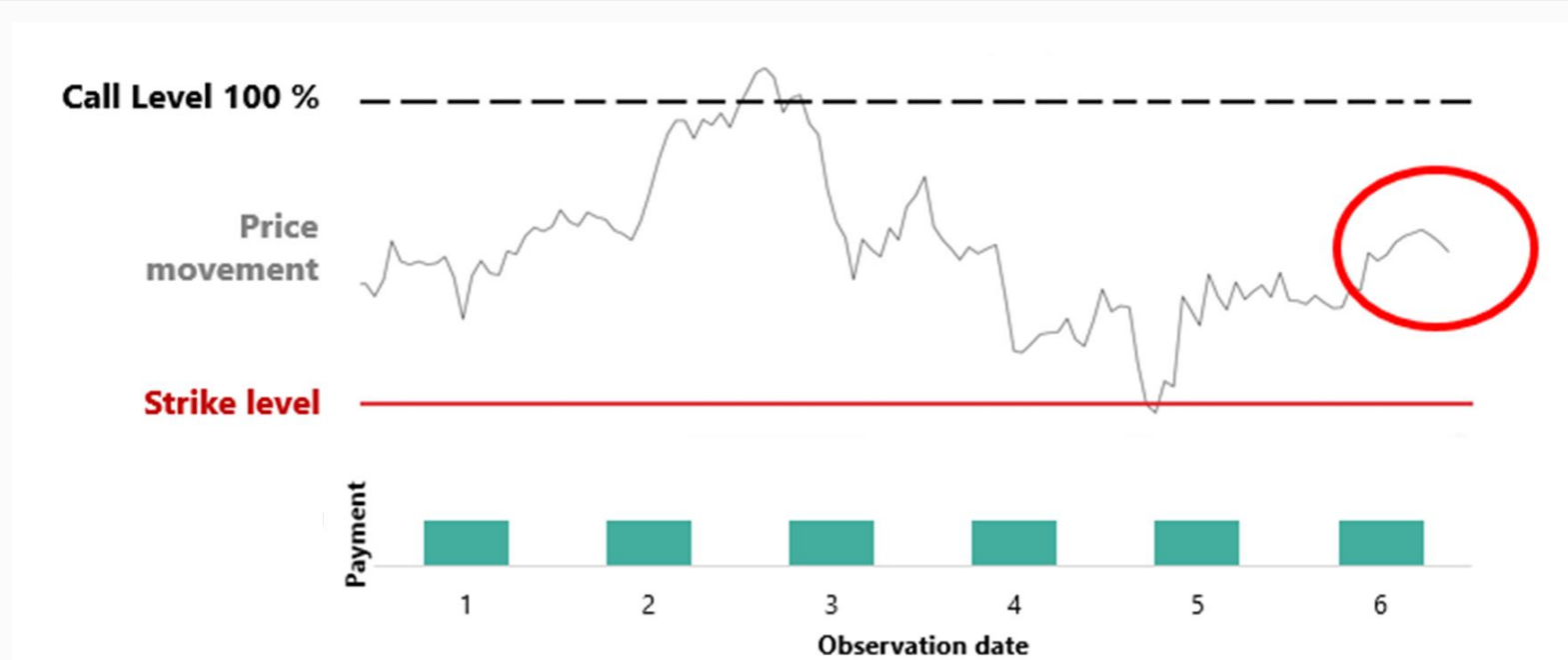
Scenario 1 : On observation date, stock price close at or above autocallable price



On observation date, if stock price close at or above auto callable price, the notes will be called. Investors will get principal + coupon on that month.

Scenario 1; on the 3rd month, investors will receive USD 100,000 + USD 1,000 (month 3 payment) total return will be USD 3,000 (month1 = USD 1,000, month2= USD 1,000, month3 = USD 1,000)

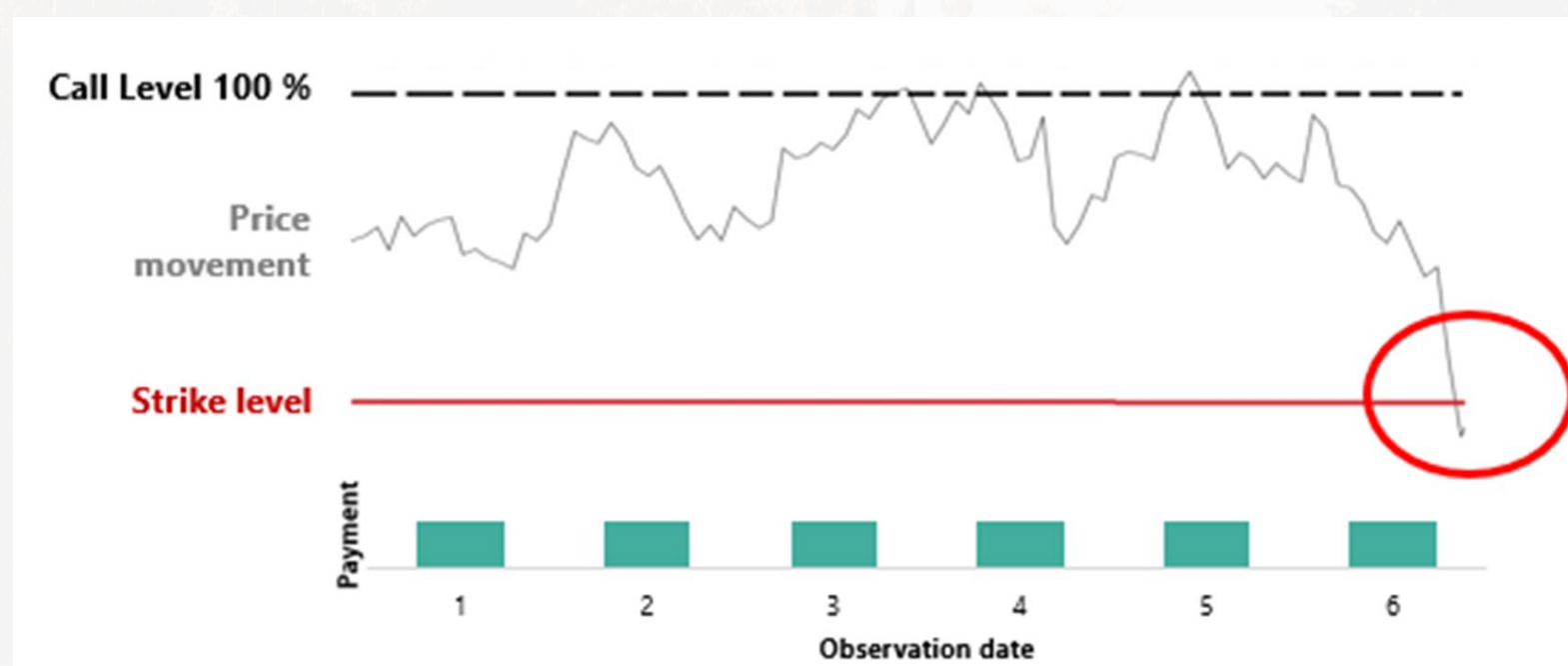
Scenario 2 : On fixing date, stock price close at or above strike price



On final fixing date, stock price close at or above strike price, investors will get **principal and coupon**.

Scenario 2; In 6th month (last month) investors will get USD 100,000 + USD 1,000 (Month1 = USD 1,000, Month2= USD 1,000, Month3 = USD 1,000, Month4= 1,000 USD, Month5= USD1,000)

Scenario 3 : On fixing date, stock price close lower than strike price



On final fixing date, assume: stock price close at USD 80 which is lower than strike price USD 85 (strike price), investors will get **Apple stocks**

Scenario 3 ; In 6th month (last month) investors will get Apple stock $100,000 / \$85 = 1,176.47$ (get Apple stock 1,176 shares) fraction of underlying will be paid in cash $(1,176.47 - 1,176) * \$80 = \text{USD } 37.60$