

Key Terms

Key Terms Found In IDAD Factsheets

Maturity: The date the investment comes to an end – ‘matures.’

Underlying: The asset(s) that dictate what happens to the structured product. The underlying may be a stock, index or other market benchmark.

Issue Date: Predefined date when the structured product is issued by the bank and the investment begins.

Strike Date and Strike Price: The strike date is typically a week before the issue date when the prices are ‘locked in’. The price on the strike date is called the strike price, and this is the price that is compared to at the end/during the life of the structured products – i.e. on the observation dates and at maturity.

Counterparty/Issuer: The financial institution issuing the investment – typically the bank.

Barrier: A predefined % where the capital is protected as long as the worst performing underlying of the structured product stays above this level (usually around 60%). If the worst performing underlying is below this barrier at maturity, then capital is returned on a 1-for-1 basis. There are a number of variants to this feature, but most products employ what is sometimes known as a European-style barrier, which means the observation of the underlying is only important at the final maturity date.

Autocall: An autocall product is a fixed term structured product which can automatically mature prior to the final maturity date if predefined conditions are met.

Observation Date: This date is seen in many of our products, including the coupons for an income product, an autocall product and the maturity date for all structured products is technically the final observation date. At these dates, the price of the underlyings is measured against their strike price to determine what happens to the structured product (e.g. whether it autocalls or pays income.)

Fixed Income: A fixed income is paid every period regardless of performance in the underlying(s).

Conditional Income/Phoenix Income: Income is paid after each pre-determined observation point if the underlying(s) is/are at or above a certain level.

Memory/Catch-Up Coupons: The memory feature in a structured product is a very attractive addition to an income product. If, for example, there are 10 observation dates and the first 5 are below the coupon trigger level, the investor will have received no additional income during that period. However, if on the 6th observation date the coupon trigger level is achieved, all the missed coupons will be paid.

Issuer Callable: The Issuer has the power to decide when/if the note matures early. Typically, this will be on the basis that investors are paid a fixed return at the point the product is called, rather than achieving a potentially higher return at maturity

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