

## **Falling yields and market vol boost Mauritius structured products market, LS Advisors**

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As SRP builds its Mauritius structured products data base Yann Robbiola (*pictured*), former director of equity derivatives and structured products sales to France at Bank of America Merrill Lynch, now CEO and head of sales Europe at Mauritius-based LS Advisors, provides an overview of the market and the opportunities for structured products providers.

### **Are structured products gaining popularity in Mauritius?**

One has to differentiate between professional investors (institutional and private banks) and retail investors when discussing structured products in Mauritius. On the professional side, there is regular use of structured products in Mauritius now, boosted by the decrease in yield and the increase in market volatility and volume of assets managed in Mauritius. On the retail side however, it is still quite a new concept. Only recently have we seen big advertising campaigns around retail structured products launches. But given the success of these campaigns, there is no doubt that use and popularity will increase in the coming months.

### **What are the most popular underlying assets and payoffs?**

Professional clients need to diversify out of Africa and towards international investments zones. As such they tend to focus on US and European underlyings

with an increased interest in emerging markets since March. For payoffs, we are seeing the most interest in five to seven year maturity phoenix and autocalls and short term FX warrants. Most recently on the local markets we've seen issuance of long term retail products based on smart beta global asset allocation indices.

### **Which type of investor are you targeting and what percentage of the sales volume comes from each group?**

Mostly professional clients with a split between institutional and private banking of 70%/30%.

### **Which manufacturers/counterparties do you work with?**

To date, LS Advisors work with around 15 Investment Banks globally, but we tend to concentrate our current flows with Natixis, Morgan Stanley and BNP Paribas.

### **How do you distribute your structured products? Tied sales force, independent advisors?**

Directly via our network of 10 sales reps between Europe and Africa. But we also have a platform for independent advisors who like our flexibility, technical know-how and the quality of our advices.

### **How does Mauritius differ from other structured product markets in**

## **Africa?**

Mauritius is still a developing market for retail structured products. Even though these products are strongly used by institutional clients, the concept of alternative and derivative investments is still new to retail clients. However, recent marketing campaigns have introduced the general public to these investment vehicles. As for the new booming regions for structured products, Kenya, Botswana and Nigeria are the best since 2016.

### **Do investors in Mauritius have a high appetite for risk or do they prefer capital protection?**

Since the risk-free rate in Mauritius is higher than in Europe and the USA, most investors in Mauritius are risk averse and thus prefer structured products with capital guaranteed or with partial capital protection with low barriers. For international clients, given the low level of rates currently, we are forced to propose products with less guarantee, but we keep to European barriers with 40% or 50% protection at least.

### **Does the capital protection affect the issuance and the term of the products?**

Yes it does, by extending the maturity of the products, as most of the products for professional clients are labelled in US dollar and euro. As such we are facing the same issues/constraints as investors globally, in a world of low interest rates. We do have however some issuances in local currency which help us a lot for proposing local denominated capital guaranteed products tied to global

international indices with an interesting participation. In that case clients are mostly buying warrants with the issuer and managing the guarantee with local banks deposits.

### **Is there a need in Mauritius for a trade body in the structured products market?**

We have, as a founding member, recently set up the AMSPA (Africa and Mauritius Structured Products Association, [www.africa-mspa.org](http://www.africa-mspa.org)) which will be live in November 2016. We are currently in the process of recruiting other members. We have created this association in order to develop knowledge and usage of structured products as well as to promote new guidelines for retail structured products towards regulators and distributors in the area.

### **Has the recent regulatory overhaul impacted your business? Do you think stricter regulations will be beneficial to the clients in Mauritius?**

The FSC in Mauritius (Financial Services Commission), the regulatory body for non-banking institutions in the financial services sector in Mauritius, is in charge of regulating the issuance of new structured products. It was created in 2001 on the model of the British FCA. So we have a common ground with Europe in terms of regulation. That being said, we do think we could improve the guidelines and regulation for the issuance of local structured products, which is why we recently set up the AMSPA.

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