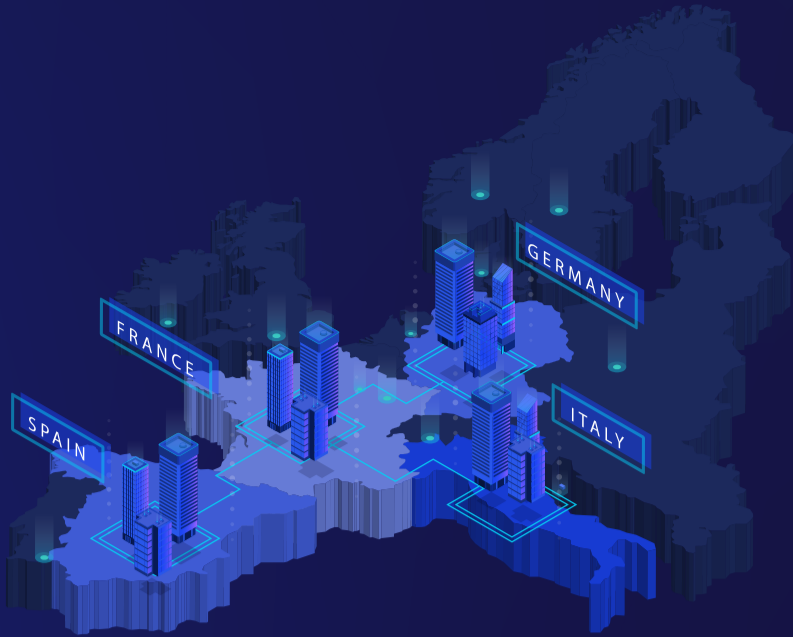


# THE EUROPEAN MARKET FOR SECURITISED DERIVATIVES



A “European” market for securitised derivatives hasn’t actually existed for very long. While associated under the umbrella of a common industry chamber, EUSIPA<sup>1</sup> since 2009, it would be rather appropriate to speak of many national markets who have started to mutually recognise the potential of more convergence only recently.

The first issue of covered warrants dates back to the 1980s but the market for securitised derivatives only picked up speed in Germany and Switzerland in the late 1990s, then spilling over to France, Italy and the United Kingdom. However, covered warrants now only make up a small proportion of the securitised derivatives traded.

Today, the market can be roughly divided into investment products (100% participation) and leverage products. Investment products are capital protection products, performance enhancement products, equity products and credit-linked notes; common leverage products can be non-knockout products, knockout products and constant leverage products.

From a regulatory point of view, the categorisation is difficult as there are no official definitions at instrument level and “securitised derivatives” is not a regulatory term, either. In many cases they are “transferable securities” under MIFID II<sup>2</sup> and in some cases they also qualify as commodity derivatives under MiFIR<sup>3</sup>, triggering a number of follow-up obligations. While this doesn’t only apply to securitised derivatives but to all types of financial instruments, it is the express intention of ESMA<sup>4</sup> to move as much of the general trading volume as possible from over-the-counter trading to regulated marketplaces.

The most important markets for securitised derivatives in Europe are Germany, France, Italy, Sweden, Spain, Switzerland, the Netherlands, Austria, Belgium, the United Kingdom and Luxembourg. These countries, except for Spain, are acting under the organisational patronage of EUSIPA. According to the latest data as released by EUSIPA, trading turnover in leverage products throughout its member markets rose to EUR 24 billion in the third quarter of 2020 – which was a decrease of 14% compared to Q2/ 2020, but compared to the third quarter of the previous year this is still an increase of 46%.

**Get in touch today to discuss how we can help you to grow your retail client business.**

<sup>1</sup> The European Structured Investment Products Association

<sup>2</sup> Directive 2014/65/EU, the ‘Markets in Financial Instruments Directive’

<sup>3</sup> Regulation(EU) 600/2014, the ‘Markets in Financial Instruments Regulation’

<sup>4</sup> The European Securities and Markets Association

Please don’t hesitate to get in touch if you wish to receive further detail.

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