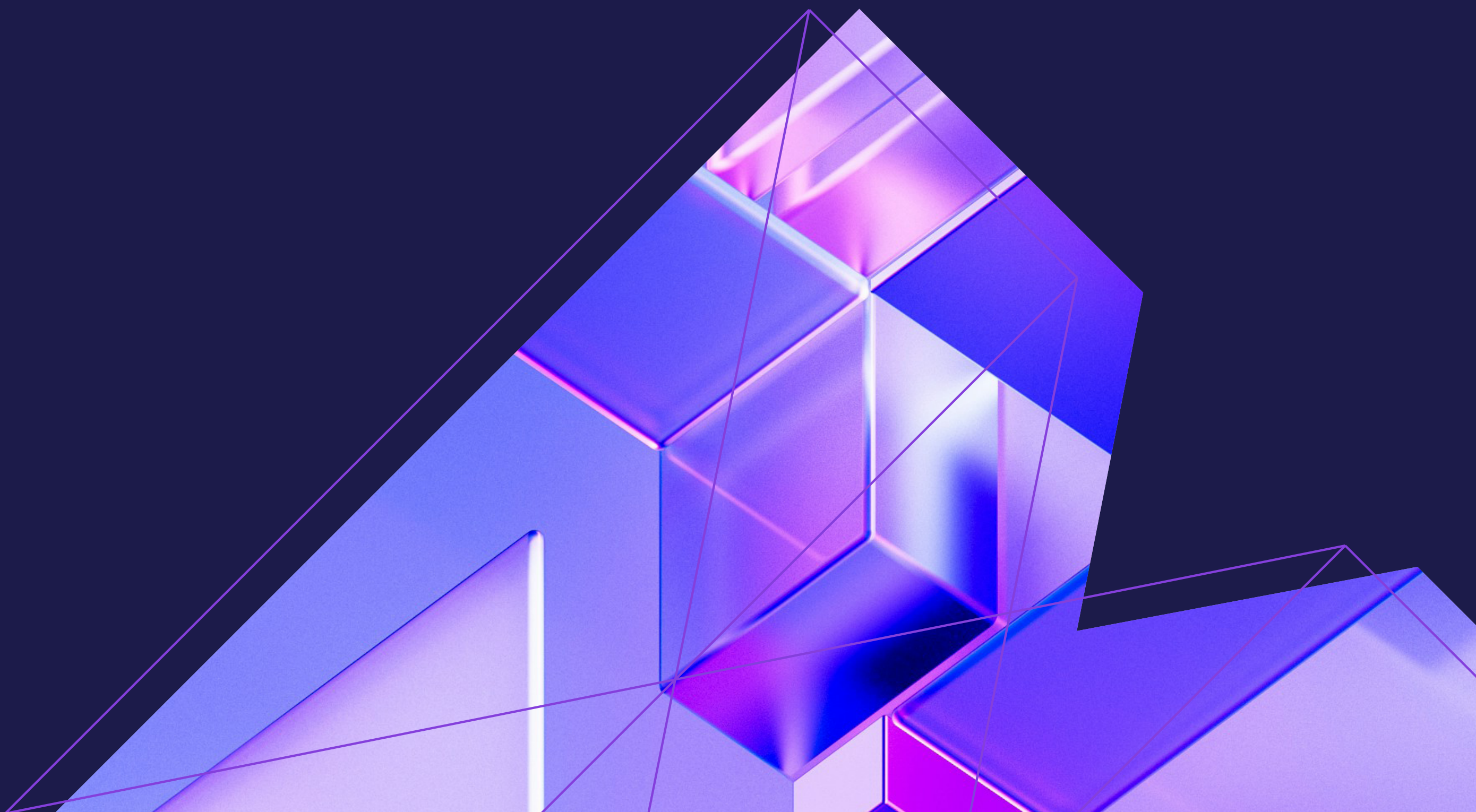


Structured Products, Unstructured

3. Classic Autocallables



What are they?

A type of structured note linked to an underlying (e.g., index, stock, or basket).

Designed to pay coupons as long as automatic early redemption is met.

May automatically redeem (“autocall”) before maturity if the underlying performs above a set level.

Why use them?

Enhanced yield

Higher returns compared to traditional bonds, with performance-linked coupons.

Downside protection

Partial protection of principal in some structures, reducing risk versus direct stock exposure.

Customisable payouts

Tailored payout structures based on specific market triggers, offering flexibility.

How do they work?

On observation dates:

If the underlying is at/above the autocall level
→ the note redeems early with coupon + principal.

If not, the note continues to the next period.

At maturity, repayment depends on the underlying's level vs. protection barriers.

Illustrative example

Autocallable on EURO STOXX 50 Index

Underlying: EURO STOXX 50 Index

Coupon: 8% p.a. | Currency: EUR | Maturity: 2 years

Autocall Trigger Level: At or above initial level on annual observation

Protection Barrier Level: 60% of initial level

Scenarios:

If index \geq initial level at year 1

→ Note redeems, investor gets 8% + principal back

If not called, coupons keep accruing.

At maturity:

If index $>$ 100% barrier level

→ full principal + accrued coupons (8% x2)

If index $>$ 60% barrier level

→ full principal

If index $<$ 60% barrier level

→ capital loss in line with index performance

Points to consider

Market risk

Outcomes depend on underlying performance

Understanding early redemption

Product may be called early, limiting potential returns

Conditional Capital Protection

Principal may be at risk if barrier levels are breached

Liquidity risk

May be difficult to sell before maturity without losses

Complexity

Payoff structures can be complicated and require full understanding

In summary



A way to earn enhanced returns through periodic coupons, market risk, and the potential for early redemption.

Glossary

Autocall Trigger Level

The price level at which the autocallable is redeemed early (usually a percentage above the initial level).

Initial Level

The price or value of the underlying asset (like a stock index or a basket of stocks) at the time the autocallable note is issued. This serves as the reference point for determining whether certain conditions, like autocall triggers or coupon barriers, are met.

Maturity

The date when the autocallable expires and the final payout is made. This is typically when the principal is returned (if conditions are met).

Protection Barrier

The price level (often a percentage of the initial level) below which the principal is at risk if the product is held to maturity.

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