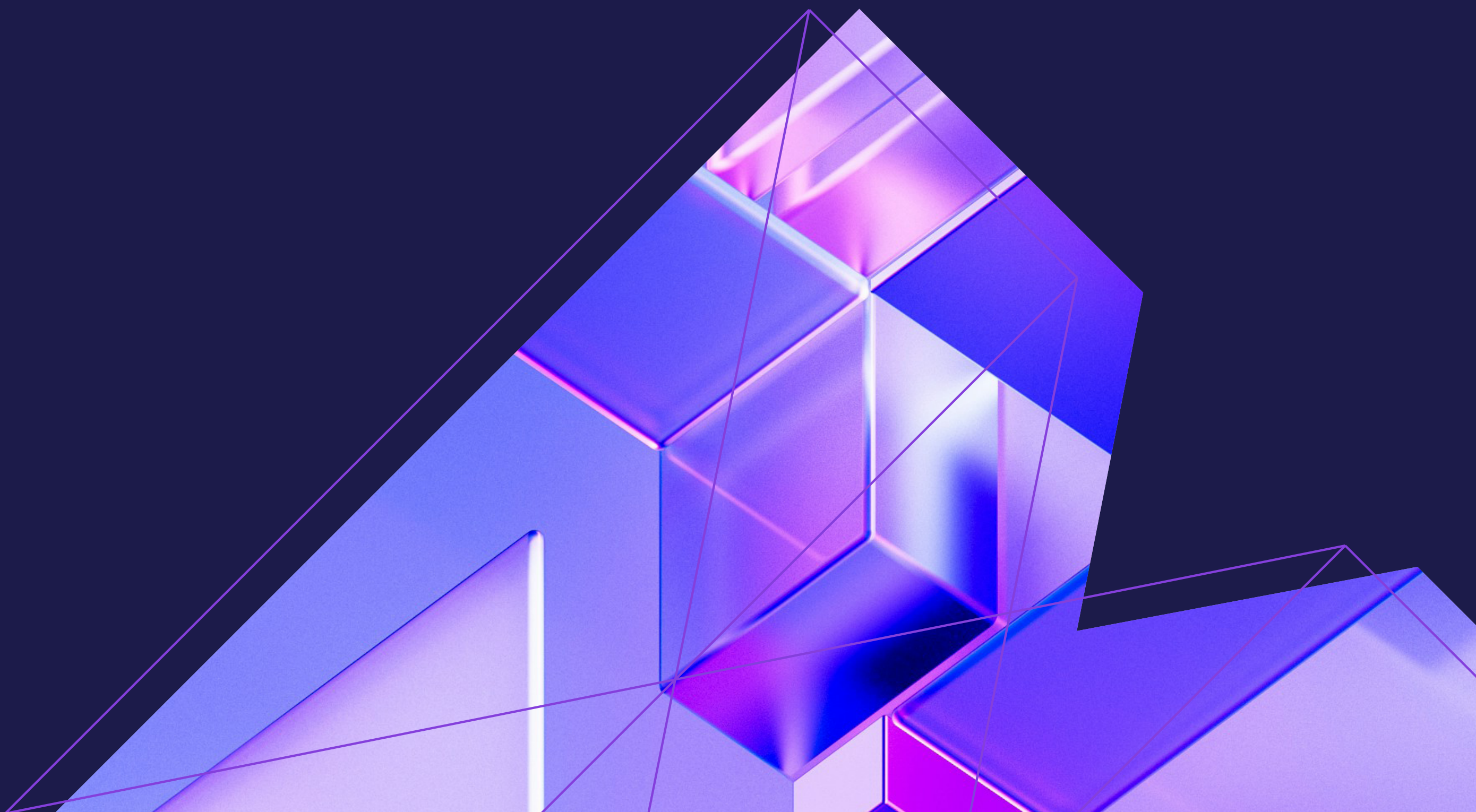


Structured Products, Unstructured

11. Individually Capped Calls (ICC)



What are they?

An Individually Capped Call (ICC) is a structured product linked to a basket of underlying assets, where each component's upside is capped individually before the final basket return is calculated.

Instead of applying a single cap to the overall basket, each underlying's performance is limited at a predefined level, and the capped performances are then averaged to determine the final payoff.

This structure allows investors to participate in diversified upside while maintaining controlled concentration risk.

Why use them?

Cost-efficient upside exposure

Individual caps are often more cost-efficient than traditional basket call spreads, enabling more attractive upside terms within defined-risk structures.

Controlled concentration risk

Because caps apply to each name separately, no single outperformer can dominate the outcome. Returns reflect broader participation across the basket.

Balanced thematic exposure

Well suited to thematic baskets, where performance is expected to be broad-based rather than driven by one extreme winner.

Defined payoff profile

Maximum upside per underlying is known at issuance, providing clarity on potential outcomes.

How do they work?

At maturity:

If an underlying's performance exceeds its cap → it is limited to that cap

If an underlying's performance is below its cap → its actual performance is used

The capped performances are then averaged across the basket and the investor receives the final averaged return.

→ call option therefore floored at zero

Illustrative example

Individually Capped Call on a 3-Stock Basket

Currency	USD
Underlyings	Apple (AAPL), Microsoft (MSFT), Nvidia (NVDA)
Maturity	24 months
Initial Level	100%
Cap Level	30%

Scenarios at maturity:

Apple: +45% → capped at +30%

Microsoft: +8%

Nvidia: -10%

Average performance:

$(30\% + 8\% - 10\%) / 3 = +9.3\%$

→ Investor earns +9.3%

Points to consider

Capped upside per underlying

Extreme outperformance from one stock does not fully contribute

No guaranteed return

Payoff depends on the averaged performance of the basket at maturity

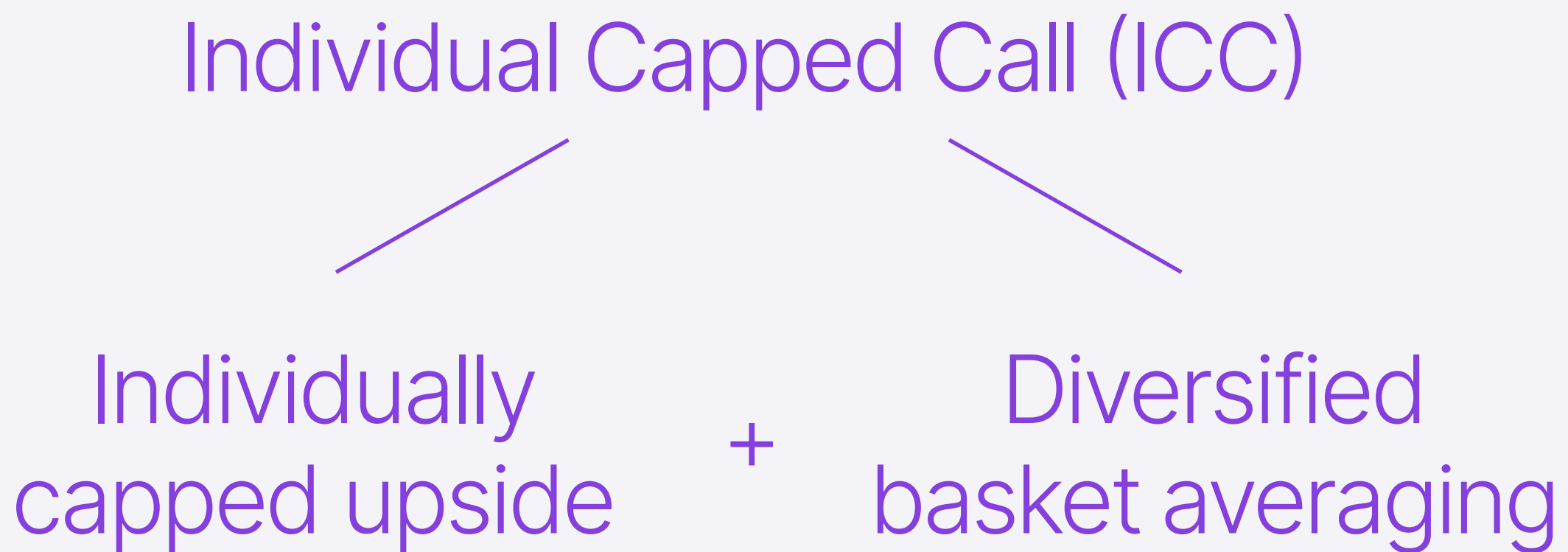
Correlation sensitivity

Lower correlation between stocks may increase dispersion, which can affect overall outcomes

No dividends

Returns depend on price performance only

In summary



A way to capture broad-based growth with controlled concentration risk, cheaper than a traditional basket call spread

Glossary

Individual Cap

The maximum positive performance counted for each stock in the basket. Any performance above this level is limited to the cap.

Final Level

The closing price of each stock at maturity used to determine the payoff

Underlying

The asset (such as an equity index, stock, or basket) whose performance contributes to the final averaged return.

Maturity

The date on which the final level is observed and the payoff is determined.

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