Financial Products

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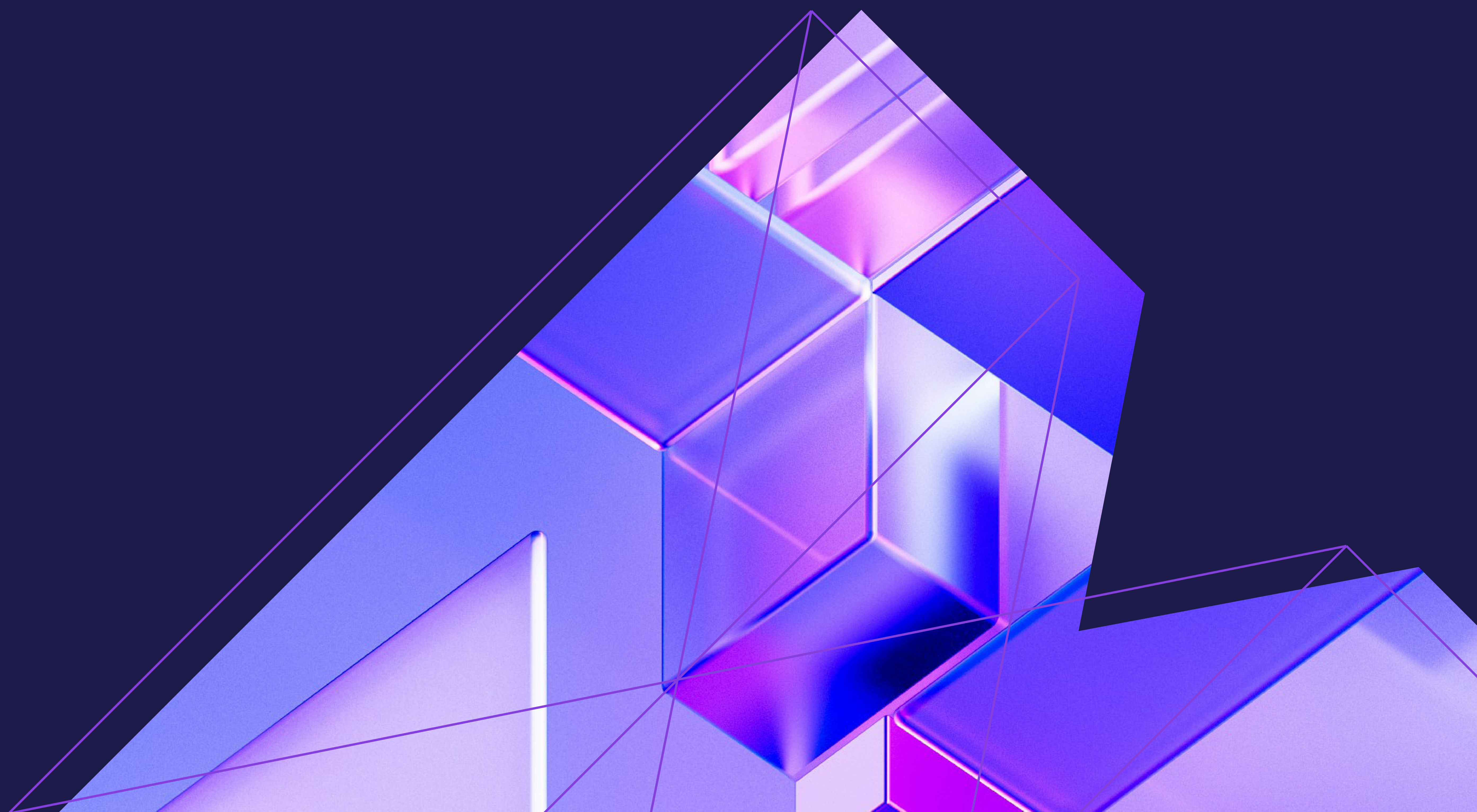
Structured Products, Unstructured

9. Range Accrual Notes



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What are they?

A Range Accrual Note is an income-generating structured product that pays coupons based on how often an underlying asset remains within a predefined price range during a given accrual period.

Coupons typically accrue periodically (e.g. quarterly or semi-annually) and then reset for the next period, with the final payout depending on the proportion of time the underlying stays within the range.

Depending on the structure, Range Accrual Notes may include capital protection, autocall features, or capital-at-risk components, making them a flexible tool for expressing views on market stability and volatility.

Range Accrual Notes

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Why use them?

Income in sideways markets

Designed for investors who expect limited price movement rather than strong trends.

Time-based payoff

Returns depend on how long the underlying remains within the range, not on its final level.

Customisable structure

Ranges, observation frequency, coupon rate, and maturity can be tailored.

Diversification

Offers an alternative income profile compared to directional or barrier-based notes.

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How do they work?

During the life of the note:

If the underlying is within the predefined range →
the investor accrues coupon for that
observation period.

If the underlying is outside the range →
no coupon accrues for that period.

At maturity:

The investor receives the total coupon accrued,
based on how often the underlying remained
within the range.

Range Accrual Notes

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Illustrative example

Range Accrual Note on the S&P 500 Index

This example uses a simplified Range Accrual structure with daily accrual and a single coupon at maturity.

Currency	USD
Underlying	S&P 500 Index
Maturity	1 year
Barrier Type	European
Lower Range	90%
Upper Range	110%
Coupon Level	12% p.a.
Observation Frequency	Daily

Scenarios at maturity:

If the index stays within the range 100% of the time

→ Investor gets a 12% coupon

If the index stays within the range 60% of the time

→ Investor gets a 7.2% coupon

Accrued Return =

Annual Coupon × Time Spent Within the Range / Total Observation Time

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Points to consider

Range sensitivity
Strong trends can reduce coupon accrual

Volatility risk
Higher volatility increases the chance of leaving the range

No guarantee of income
Coupons depend on time spent within the range

Capital protection depends on structure
Not all range accrual notes are capital protected

No dividends
Returns are based on price levels only

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In summary

Range Accrual Notes

Income linked to time spent within a range + Coupon accrual based on market stability

A way to generate income in sideways or range-bound markets

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Glossary

Range
The predefined upper and lower price levels that the underlying must remain within for coupon accrual to occur.

Accrued Coupon
The portion of the total coupon earned based on the percentage of time the underlying remains within the range during an accrual period.

Observation Frequency
How often the underlying is checked to determine whether it is within the range (e.g. daily or monthly).

Underlying
The asset (such as an equity index, stock, or basket) whose price level determines whether coupon accrues.

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