CORE CONCEPT

Structured Products and Structured Notes Course: Design, Pricing, Suitability and Risk

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Introduction:

Structured products and structured notes design, pricing, suitability and risk is a 2-week course for private bank product, treasury sales, structuring, product governance and risk teams that ends with a Structured Note Product Approval and Suitability Plan for a case bank. Banks lose client trust and face redress when notes are sold with hidden fees, unexplained issuer credit exposure, barriers clients do not understand or a poor fit to the client's loss capacity. Nominees already sell, approve, value or monitor investment products and learn through case studies on real term sheets. CoreConcept Training Center delivers this structured products course.

Course Objectives:

- Decompose capital-protected, reverse convertible, autocallable and range-accrual notes into bond and option components and explain each payoff
- Estimate the fair value of a structured note, isolate embedded fees and issuer margin and compare competing issuer quotes
- Assess issuer credit risk, funding spread, collateral and secondary market liquidity before a note joins the product shelf
- Evaluate Shariah-compliant structures based on wa'd and on murabaha with arbun against conventional notes
- Run new product approval, target market definition and client suitability checks and draft key information disclosure
- Track lifecycle events, verify valuations and prepare client reports and post-sale product reviews

Target Audience:

- Private bank product teams responsible for selecting and explaining notes on the investment shelf
- Treasury sales and structuring desk teams responsible for quoting and tailoring notes for clients
- Product governance teams responsible for new product approval and target market reviews
- Market and credit risk teams responsible for issuer exposure limits and valuation control
- Compliance teams responsible for suitability, disclosure and sales conduct monitoring
- Operations teams responsible for lifecycle events, fixings and client statements

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Course Outline:

Day 1: Structured Note Anatomy, Roles and Term Sheets

- Structured Note Wrappers Notes Certificates Deposits and Funds
- Zero-Coupon Bond Plus Option Building Block Decomposition
- Issuer Distributor Calculation Agent and Hedging Desk Roles
- Payoff Families Capital Protection Yield Enhancement and Participation
- Term Sheet Reading Underlying Strike Barrier and Observation Schedule

Day 2: Capital-Protected and Participation Note Design

- Capital Protection Level and Bond Floor Cost Calculation
- Participation Rate Derivation From Option Budget and Volatility
- Capped Call Spread Notes and Upside Cap Trade-Offs
- Asian Averaging and Lookback Features in Protected Notes
- Basket Underlying Correlation Effect on Participation Terms

Day 3: Yield Enhancement Notes, Reverse Convertibles and Autocallables

- Reverse Convertible Coupon Funded Through Embedded Short Put
- Barrier Reverse Convertible Knock-In Level and Physical Delivery
- Autocallable Call Barrier Coupon Barrier and Memory Coupon Mechanics
- Worst-Of Basket Autocallables and Investor Correlation Exposure
- Range-Accrual and Fixed-to-Floating Note Coupon Structures

Day 4: Decomposition Pricing, Embedded Fees and Issuer Funding

- Replicating Portfolio Pricing Spreadsheet for a Protected Note
- Monte Carlo Path Simulation for Autocallable Fair Value
- Issuer Funding Spread Benefit and Its Effect on Note Terms
- Embedded Fee Extraction Comparing Issue Price With Fair Value
- Competitive Quote Comparison Grid Across Several Issuers

Day 5: Guided Case Study, Pricing and Comparing Three Notes

- Case Term Sheets for Protected, Reverse Convertible and Autocallable Notes
- Decomposition Worksheet Splitting Bond Floor and Option Value
- Scenario Payoff Table Across Rising, Flat and Falling Paths
- Issuer Margin Disclosure Check Against Calculated Fair Value
- Week-One Case Findings Memo and Peer Challenge Session

Day 6: Shariah-Compliant Structures, Credit-Linked Notes and Secondary Market

- Wa'd-Based Total Return Structures and Shariah Board Review
- Murabaha Plus Arbun Capital-Protected Islamic Note Design
- Shariah Screening of Equity Underlyings and Income Purification Steps
- Credit-Linked Notes and Reference Entity Default Payoff
- Secondary Market Bid Buyback Spread and Early Redemption Value

Day 7: Issuer Credit Risk, Product Governance and Approval

- Issuer Credit Rating, Default Swap Spread and Seniority Ranking
- Collateralised Notes and Counterparty Exposure Mitigation Options
- New Product Approval Committee Workflow and Sign-Off Evidence
- Target Market and Negative Target Market Definition Matrix
- Key Information Document Risk Indicator and Performance Scenarios

Day 8: Client Suitability, Disclosure and Mis-Selling Cases

- Suitability Assessment Linking Knowledge, Experience and Loss Capacity
- Complexity Classification and Appropriateness Test for Execution-Only Sales
- Plain-Language Term Sheet Rewrite and Client Explanation Script
- Mis-Selling Case Reviews of Elderly and Concentrated Autocallable Sales
- Sales Incentive Conflicts, Inducement Disclosure and Complaint Handling

Day 9: Lifecycle Events, Valuation Control and Client Reporting

- Lifecycle Event Calendar for Fixings, Coupons, Autocalls and Knock-Ins
- Corporate Action Adjustments for Underlying Splits and Special Dividends
- Independent Price Verification and Mark-to-Model Valuation Controls
- Client Statement Indicative Bid and Return Attribution Reporting
- Post-Sale Product Review KPIs for Complaints, Losses and Redemptions

Day 10: Case Study Capstone, Product Approval and Suitability Plan

- Case Bank Shelf Gap Analysis and Proposed Note Selection
- Decomposition Pricing and Fee Disclosure Pack for Proposed Note
- Target Market, Suitability Rules and Shariah Variant Decision
- Lifecycle Monitoring and Client Reporting Schedule Draft
- Structured Note Product Approval and Suitability Plan Completion

Skills You Will Gain:

- Payoff Decomposition
- Structured Note Fair Valuation
- Embedded Fee Analysis
- Issuer Credit Assessment
- Islamic Structure Evaluation
- Target Market Definition
- Client Suitability Assessment
- Lifecycle Event Management

Why Attend This Course:

- Deliver a Structured Note Product Approval and Suitability Plan to the new product committee and the head of investment products
- Decide whether an issuer quote is fair, which client segment a note suits and when a barrier note should be withheld
- Avoid mis-selling redress, complaint escalation and shelf losses caused by hidden fees and unexplained issuer exposure
- Share decomposition worksheets, suitability checklists and lifecycle calendars with sales, risk and operations colleagues

Conclusion:

Back at the bank, the participant gives the new product committee, the head of investment products and the compliance function a Structured Note Product Approval and Suitability Plan that sets the fair value and fee disclosure, issuer limits, target market, suitability rules, any Shariah variant and the lifecycle reporting cycle. The committee uses it to decide whether a note joins the shelf and for which clients. After the first issue and the first coupon or autocall observation, the unit should review sales against the target market, complaints, secondary bid levels and client report accuracy.

Frequently Asked Questions FAQ:

What should participants know before a structured products and structured notes course?

Participants should already sell, approve, value or monitor investment products and read basic bond and option terms. Advanced mathematics is not needed. Bringing anonymised term sheets, product approval forms or client reports helps apply the case studies to their own product shelf.

How does a structured products and structured notes course differ from an options trading course?

It focuses on notes sold to clients: how a bond floor and embedded options are packaged, what fees and issuer risk sit inside, and how notes are approved, sold suitably and reported. Options trading courses cover listed option strategies, Greeks and hedging for a trading book.

Why does issuer credit risk matter in structured products and structured notes?

Most structured notes are unsecured debt of the issuing bank, so capital protection holds only if the issuer can pay at maturity. A default can cause loss even when the underlying performs well, which is why issuer rating, funding spread and seniority are checked before sale.

What do participants take back from the structured products and structured notes course?

Participants take back a Structured Note Product Approval and Suitability Plan for a case bank, with a decomposition pricing worksheet, fee disclosure pack, target market matrix, suitability checklist and lifecycle reporting calendar to adapt to their own product shelf.