



Additional Reading Material on Structured Products

**For January to June 2016 Examinations
(Issued in November 2015)**

Relevant for

- 1. Module 6 (Stock Market and Securities Law)**
- 2. Module 17 (Securities and Derivatives Trading (Rules and Regulations))**

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Securities Industry Development Corporation

3, Persiaran Bukit Kiara

Bukit Kiara, 50490 Kuala Lumpur

SECTION 2

Topic 4 – Capital Raising on Primary Market

3. Securities Issues in the Secondary Market

3.4 Structured Products

In Malaysia, the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (the LOLA Guidelines) sets out the definition of structured products as any investment product that falls within the definition of "securities" under the Capital Markets & Services Act 2007. The products are generally issued by financial institutions and are securities which fall under the category of debentures.

Structured products derive its value by reference to the price or value of an underlying reference. The underlying reference as set out in the LOLA Guidelines includes amongst others, equities, indices, commodities, currencies and credit. There are also hybrid investments that combine into a single "structure" a traditional security with one or more asset classes as its underlying references.

Structured products investments are bilateral whereby the counterparties comprise the issuer and the investor. Investments in structured products usually involve the upfront investment of a principal sum, payment of interest at pre-determined intervals at pre-determined rates during the life of the structured products and at maturity and the repayment of the principal sum at maturity. These payments would depend on the performance of the underlying references and the agreed terms for the investment. It can be created with fixed term maturity with the principal being fully or partially protected. The investors could also stand to lose their entire investment, including the principal depending on the terms of the structured products and the performance of the underlying references.