Complex Financial Instrument Information Sheet
STRUCTURED PRODUCTS2

This Information Sheet is intended to provide you with an overview of the risks associated with Structured Products. These investments may not be right for all investors and before investing you should ensure that you are familiar with their features and risks. If you invest, your capital will be at risk and you may get back nothing at all. If you are unsure, we strongly suggest that before investing you seek advice from a qualified adviser.

This Information Sheet should be read in conjunction with the 'Complex Financial Instruments Assessment'.

What are Structured Products?

Structured Products are 'financially engineered' investments which typically comprise two component parts: a depository note and a derivative or option.

The depository note acts to provide the investor with a stated minimum level of capital return, whereas the derivative or option aims to deliver growth over and above this subject to certain market requirements being met.

The issuer of each component is commonly described as a 'counterparty'. The counterparty to the depository note is usually a leading bank or financial institution. However in certain instances additional capital security may be offered in that the note may be backed by government-issued investments.

The counterparty to the derivative or option is usually the issuer of the Structured Product. In certain instances, the issuer of the Structured Product may act as counterparty to both the depository note and the derivative or option.

By investing in a Structured Product, the investor enters into a legally binding contract with the issuer of the Structured Product to lend them money for the life of the Structured Product (typically five years). At the end of the term the investor receives the Structured Product's return from the issuer. Structured Products purchased via the Frequent Trader Service are typically listed on the London Stock Exchange, as such providing the ability to place a purchase or sale order during market hours. This said, Structured Products tend to be fairly illiquid as such it may be difficult for investors to sell a holding at some point in the future.

The Structured Product's return will be based on a pre-determined formula, usually based on the performance of the price of individual shares but more typically on one or more share price indices (such as the FTSE 100). Some Structured Products are designed with the aim of creating returns that increase faster than the share price or share price index.

This predetermined formula may be in the form of a set level of return based on a certain index level being achieved on or by a certain point in time. Or the return may be in the form of a percentage of the increase in the index, or basket of indices, from its issue point to maturity. This is commonly referred to as the 'participation' rate and for example, a participation rate of 130% means that for each 1% increase in the associated index the structure provides a return of 1.3%.

What are the risks and features associated with Structured Products?

The risks of and features associated with Structured Products vary widely between individual products depending on the level of complexity. However, some of the main risks factors and features which may apply are set out in the list below.

1) The returns from investing in Structured Products may be based on the performance of share prices (excluding any dividends received from the underlying shares). If you owned the underlying share(s) you would normally receive the dividends. Structured Products do not pay or receive dividends.
2) Structured Product returns are usually based on a pre-determined formula relating to the performance of one or more broad stock market indices. Indices are also a measure of share price performance.
3) Although it may be possible to sell a Structured Product holding, you may need to commit your money for the full life of the Structured Product. Fees and charges are normally taken up-front which may further reduce what you get back if you decided to sell your holding prior to the issue's maturity date.
4) With some Structured Products, you risk losing a proportion or all of your initial investment. For some products, this risk may be mitigated against a drop in the share prices or index to a certain level (for example 50%). This is often referred to as 'soft' protection. However, if the prices fall below that of that specified by the 'soft' protection, the protection may be cancelled meaning that investors will lose money.
5) Some Structured Products have an upper limit on the maximum possible return. A significant increase in the level of share prices or the index may mean that the return achieved is not as high as it may have been if you had invested in the underlying shares or an investment which tracks the relevant index.
6) Some Structured Products are designed with the aim of generating income. The initial investment or the income may be at risk if the underlying share price or index performs badly.
7) You can lose some or all of your money if the counterparty to the depository note is unable to meet its financial obligations or goes bust. In most circumstances, you will be unable to make a claim for any loss to the Financial Services Compensation Scheme, as most are listed securities which do not qualify for this additional protection.
8) Please note that the most common methods of assessing the financial strength of issuing banks is by reference to the opinion of a credit rating agency (for example, Moody's, Fitch Ratings, Standard and Poors) but this may not be reliable when used in isolation.

For the specific risks associated with a particular Structured Product you should consider information about the product itself and the issuer. Further information will be available in each product prospectus.

If you have any queries regarding this Information Sheet, general questions about Structured Products, or a query about a specific Structured Product please contact us.