



Investment Product Guide- Callable Range Accrual Note (CRAN)

**I have read the Investment Product Guide of the above product,
and I acknowledge that I understand its features and risks.**

Signature: _____

Print Name: _____

Date: _____



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What is a Structured Product?

- ❖ Hybrid tailor-made product that is created to meet investors' specific needs that cannot be met from the standardized financial instruments, by combining several elements to create a single product.
- ❖ Incorporates non-standard strategies such as a combination of basic investments, leverage and/or derivatives, such as options.

Why Structured Product?

- ❖ Structured investments provide investors with exposure to a variety of asset classes while combining a defined level of principal protection, enhanced participation and/or both.
 - ❖ Can be used as an alternative to a direct investment, as part of the asset allocation process to reduce risk exposure of a portfolio, or to utilize the current market trend to enhance return.
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Derivatives, such as options, are commonly used in Structured Products.

What is an Option?

- ❖ A contract that provides the buyer the right, but not the obligation, to buy or sell a pre-defined amount and at a pre-determined price of a specific security within a predetermined time period.
- ❖ Conversely, the seller is obliged to buy or sell a pre-defined amount and at a pre-determined price of a specific security within a predetermined time period.

Types of Options Commonly Used in Structured Products

- ❖ Asian – With averaging. Options whose payoffs depend on the average value over a period of time.
 - ❖ Quanto – Option currency different to underlying currency. Payout is in different currency to the underlying option.
 - ❖ Cliquet – Payoff depends on periodic reset feature.
 - ❖ Knock-in, Knock-out – Option's existence depends on certain level being reached.
 - ❖ Callable – Investment can be called by Issuer.
 - ❖ Auto-Callable – Investment must be called by Issuer if certain condition being met.
 - ❖ Spread – Payoff linked to relative performance of one underlying versus another.
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Callable Range Accrual Note (CRAN)

Product Features:

- A typical fixed income structure that involves bond issued with conditional coupon payment.
- Investor receives a fixed payment if the conditions are met, such as 3-month LIBOR is within a specific range or CMS30-2 ≥ 0 .
- The structure typically has a call feature on a quarterly basis.
- 100% principal protected upon maturity (if NO default by Issuer).

Suitability:

- Suitable for investors aiming to enhance return by taking increased risks and share the view that the interest payment criteria will be met during the lifetime of the Note.

Worst-case scenario:

- Investors will lose 100% of the investment should the Issuer default.

Risk Factors:

- Investors are subject to the credit risk of the Issuer. Additionally, prior to maturity, the price of the note will decrease if the credit spread of the issuer of the note widen.
- Investors are subject to the market risk linked to the future path of interest rates.
- Liquidity risk as Issuer is not obliged to make secondary market.
- If the note is unwound before maturity, the unwind price is subject to a number of parameters including but not limited to the movement of interest rate, market volatility and level of the underlying rates.
- The note can be called early and investors will get the coupon for the period of time invested. Investors are exposed to 'reinvestment' risk to the extent that investors cannot reinvest in a similarly attractive new investment.

- **Risk Level** → 3 - 4 (1 to 5, with 5 being the highest) : depending on Issuer or guarantor of reference asset of the Structure product credit rating (worst of) and time to maturity.
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Callable Range Accrual Note (CRAN)

Example:

10 Years Non-Call 3 months LIBOR CRAN

Issuer Rating : A or above

Tenor : 10 years non-call 3-months

Currency : USD

Coupon : 7.00% p.a. x n/N

where; n = number of business days where condition is met

N = total number of business days for the relevant 3-month period

Range : 0% =< 3-months US\$ Libor =< 7%

Coupon Frequency : Quarterly

Call : Non-Call 3 months, callable every quarter thereafter

At Maturity : Redemption at 100%

Yield Enhancement Interest Rate Structures



Callable Range Accrual Note (CRAN)

Graph for 3M US\$ Libor



Source: Bloomberg

Past Performance is not necessary indication of future performance

Callable Range Accrual Note (CRAN)

Another Example:

10 Years Non-Call 3 months CMS30-2 CRAN

Issuer Rating : A or above
Tenor : 10 years non-call 3-months
Currency : USD
Coupon : 7% p.a. x n/N

where; n = number of business days where condition is met
N = total number of business days for the relevant 3-month period

Range : CMS 30 – CMS 2 => 0%
Coupon Frequency : Quarterly
Call : Non-Call 3 months, callable every quarter thereafter
At Maturity : Redemption at 100%

Constant Maturity Swap (CMS) is typically a fixed rate against the 3M USD LIBOR swap.

Yield Enhancement Interest Rate Structures



Callable Range Accrual Note (CRAN)

Graph for CMS 30 – CMS 2



Source: Bloomberg

Past Performance is not necessary indication of future performance

Yield Enhancement Interest Rate Structures



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Callable Range Accrual Note (CRAN) - Scenario Analysis

Assuming the following:

Investment amount of US\$1MM

90 days in the quarter & coupon of 7% p.a.

Number of days failed to meet the coupon condition	Annualised Yield	Quarterly Coupon Amount
0	7.000%	\$ 17,500.00
10	6.222%	\$ 15,555.56
20	5.444%	\$ 13,611.11
30	4.667%	\$ 11,666.67
40	3.889%	\$ 9,722.22
50	3.111%	\$ 7,777.78
60	2.333%	\$ 5,833.33
70	1.556%	\$ 3,888.89
80	0.778%	\$ 1,944.44
90	0.000%	\$ -



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