



Absa/Halo partnership: A rising tide lifts all boats



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Absa Bank has teamed up with Halo Investing to develop its click and trade capabilities with a 'white-labelling' twist

Following the Barclays sale of its African operation in late 2017, the Johannesburg-based bank which reverted back to its Absa Group name had a number of capabilities and systems that needed to be reviewed unwound and replaced as part of the process. Throughout 2018, Absa Bank became one of Africa's first banks to go live with a click and trade platform offering white-labelling to structured products manufacturers in the country and the region.

SRP spoke to Ryan Sydow (pictured), head of distribution, index and structured solutions, Absa CIB, as well as Jason Barsema and Biju Kulathakal, co-founders at Halo Investing, about how the new partnership materialised, and their goals ahead.

One of the capabilities Absa had to review was the Barx IS platform which was available while part of the Barclays Group. This provided an opportunity to look at what was happening globally and "not only replace but improve on what we had before," according to Sydow.

"We wanted to have a technology platform that made issuance really easy for us and our clients but also wanted a platform that could be tweaked to allow other issuers to come on board as our clients demanded," he says, adding that the bank considered its options and had talks with a number of platforms before deciding to go with Halo.

Absa found a number of positives about the Chicago-based structured products platform during its assessment and due diligence process but the primary point



Ryan Sydow, Absa Capital

was that Halo had a business model that was aligned with what the South African bank wanted to achieve.

"We were not looking for a software provider, which is how most structured products platforms sell themselves but for a structured products enabler that would help us take our business to the next level," says Sydow. "We found the Halo team like-minded towards our business with a strong focus on the distributor side of the fence, not necessarily the issuer side."

Halo, like Absa, believes these products have a useful place in people's investment portfolios, according to Sydow. "[Absa] had the flexibility to respond to our needs very quickly

Platforms are evolving and becoming a way to democratise access

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Biju Kulathakal, Halo Investing

and were happy to design ‘on the fly’ for some of the nuances of the South African market and for our slightly quirky iteration given we are both distributor and issuer and needed a system that could do both,” he says.

Cross-border

This proves the cross-border application of Halo’s technology which is aimed at making these products more accessible, customisable and enabling retail investors to build them on the fly and transact them with a very low minimum investment, according to Kulathakal (below).

“We found in Absa a partner with a very similar view of the market and the future of the industry,” says Kulathakal, adding that structured notes are transitioning from being a very niche product type to becoming a mainstream investment solutions and technology/ automation is behind that shift by delivering increased value to retail investors.

“Having partners like Absa is key to make the shift relevant to other players,” says Kulathakal. “Our offering goes beyond pricing and includes significant pre- and post-trade functionalities from product ideas and other relevant content. We have tailored some of these tools for Absa in a way that is completely aligned with how platforms are evolving and becoming a way to democratise access.”

Sydow wanted all the technology and functionalities Halo brings to the mix but did not necessarily want to offer multiple issuers to Absa’s clients.

“Where we do not have trading or issuance capability we want to be able to bring our global partner banks to bear for the benefit of our local clients, but also where appropriate we want the ease of price discovery, trade and execution of a multiple issuer platform but want to be the only issuer to select from,” says Sydow. “Because we realised that post-Barclays we no longer had the same the length and breadth of manufacturing and trading capabilities that a tier one bank has, we needed to be pragmatic about what could and could not be done – the platform allows us to seamlessly toggle abilities on and off as our capabilities (or others) change.”

One of the key reasons for Halo to be able to be relevant in any structured products market is that the firm does not see itself as a tech or a software provider but as a structured notes service provider.

“We use our technology to deliver solutions for our clients and this can be done in any jurisdictions,” says Kulathakal. “Our platform is very portable and we think this is also very important as we move towards a more standardised and streamlined set of products. We have 18 global banks plugged in into our platform and through those banks we can access their distribution channels in South Africa but also we make Absa’s paper and products available to other investors around the world.”

Beyond connectivity

Having a global hub or meeting point for these products is revolutionising the market as it will increase the liquidity



pool, lower the cost of transacting and improving the overall customer experience. From a technology point of view, Halo is helping reshape the market from a one-size-fits-all tranche approach to a more individualised client set up, according to Sydow.

“As the market becomes more commoditised and investors become demanding of tailored solutions, it is important to provide the right tools for investors to navigate the market and look for specific solutions to their needs,” says Sydow. “We think this could be a ‘game changer’. Our plan is to capitalise on Halo’s technology to provide.”

However, Kulathakal notes that Halo is not just a platform to issue products but a one-stop shop for analytics and product ideas.

“Most platforms out there are still focusing mainly on pricing and trading but Halo offers more than that as it focuses more on analytics, post-trade and life cycle tools as well as making the distribution process as easy as possible,” says Kulathaka, adding that the focus is

Scope

Halo is not in the game of disrupting distribution for investment banks as it believes the market is only functioning at a fraction of its capacity.

“It’s only a small portion of advisers being reached by investment banks so for us the advantage is to be a partner for those banks and an addition to their sales force,” says Kulathakal. “We see Halo as an enhancer and efficient distribution partner for manufacturers. This is not a zero sum market and want to be a partner to issuers to grow the market and make these products accessible to a wider audience.”

According to Barsema, this banking as a service solution will enable any external company, fintech venture or start-up to quickly and easily consume Absa services such as biometric identification, transactional capabilities, ATM locators and more.

“Developers will be able to access these services in a secure way and incorporate them into customised applications, enabling them to enhance their service applications with banking features that add value to consumers,” says Barsena, adding that Absa is a key believer in this theme, and wants to assist in every way possible because it makes the product better for the customer, even if it draws more competition in the secondary for

their own paper.

“A rising tide lifts all boats, and those focused on providing safer, simpler and more transparent access to any product or service ultimately win because the customer wins,” says Barsema. “That’s woven in Halo’s fabric: Impact Before Profits.”

With the new application programming interface (API)-based platform, Halo can provide external parties with access to the bank’s products and services, and will enable the bank to play a more proactive role in Africa’s developing fintech environment, according to Sydow.

KeyFacts:

Halo Investing was launched in 2015. The Chicago-based company is the first independent multi-issuer technology platform for structured notes in the United States.

Absa Bank launched a new growth strategy in Q1 2018 as it separated from Barclays. At the end of the summer Absa group was launched rebranding its Barclays-branded operations in Africa and opened its’ first offer.

Halo and Absa met during the first SRP Africa Conference in 2017.

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