

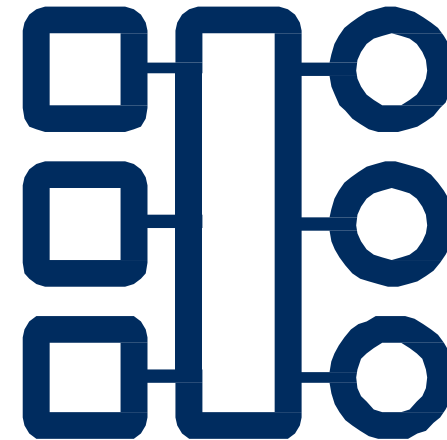


Introduction to Structured Products

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Structured products, also known as listed products, are financial instruments issued by authorized entities and typically traded in organized markets, much like stocks or bonds. Their common feature is that they allow investors to replicate the price of an underlying and access an investment strategy packaged in a single security, without the need to replicate it through derivatives or complex transactions. They are designed primarily for the retail investor, offering a simple and standardized way to access strategies that would otherwise be more technical or difficult to implement.

Within this large family, warrants, turbos and multis stand out. They are differentiated by the form and degree of leverage, as well as by the presence or absence of barriers. Their appeal lies in three main aspects:



Easy access to a wide range of markets and assets (stocks, indices, currencies, commodities, bonds).

Predefined strategies that allow investing with a bullish or bearish mindset, as well as protecting portfolios or generating additional income.

Transparency and liquidity, as they are listed on the stock exchange and have market makers that quote bid and ask prices at all times.

Common basic concepts

Before delving into each type of warrant or certificate, it is important to understand the elements they all share:

Listed product: They are usually traded in organized markets just like a stock or a bond, which gives them transparency and liquidity, with prices visible in real time and the presence of market makers.

Underlying: Its value depends on the performance of another financial asset, such as a stock, an index, a currency, ETFs, cryptocurrencies, a commodity or even a basket of assets.

Right, not obligation: Most grant the right to benefit from movements in the underlying without the need to buy or sell it directly.

Leverage: With a reduced investment, the investor gains greater exposure to the movement of the underlying. This multiplies both potential gains and losses, which can reach 100% of the invested capital.

Maturity date: Except for multis, certificates and some turbos, when the end date is reached, the product is automatically settled, with value or worthless, depending on whether or not the agreed conditions are met.

Composite price: The value of these products reflects factors such as the price of the underlying, time to expiration, volatility and, in some cases, the embedded cost of financing.

Taken together, listed structured products can be seen as “**packaged derivatives**”: standardized instruments that allow any investor to easily access financial strategies that would otherwise require advanced technical knowledge or large amounts of capital.



Classification map

Warrants and certificates are part of the large category of listed structured products, recognized in Europe by the European Structured Investment Products Association (EUSIPA). This classification is based on two main criteria: the product's purpose and the degree of leverage.

Investment products

They seek to complement a portfolio with predefined strategies that offer income, partial protection or conditional returns. Examples: bonuses, certificates and structured bonds.

Capital protection products:

They seek to guarantee, in whole or in part, the return of the invested capital at maturity, regardless of the performance of the underlying.

Capital optimization products:

They are designed to improve profitability in stable or slightly favorable market scenarios, but do not offer full capital protection.

Participation products:

They allow the investor to benefit from the upward movements of an underlying by replicating its behavior or capturing part of its rises, with or without profit limitation and with the possibility of including certain protection.

Leverage products:

They allow for tactical exposure with performance (and risk) multipliers. Examples: traditional warrants, turbos, multis, inlines, Stay High/Low and discounts.

Leverage products without knock-out:

They do not have a barrier that causes immediate loss of investment. Their value depends on the price of the underlying and, in many cases, also on time and volatility.

Leverage products with knock-out:

They incorporate a barrier level that, if reached, causes the product to expire prematurely. This barrier acts as an "implicit stop loss", limiting the range but also increasing the risk of a total loss.

Constant leverage products:

They are designed to provide a fixed leveraged exposure (e.g. 3x, 5x) to the daily movements of the underlying. This means that they are recalibrated every day, replicating a constant multiplier in the daily variation.

Classification map



Types of structured products

Warrants (vanilla or traditional)

They are products that give the right, not the obligation, to buy (call) or sell (put) an asset at a predetermined price and on a specific date. They are used to speculate on market rises and falls, or to hedge a portfolio, with maximum risk limited to the initial investment.

Turbo warrants

They allow very direct investment in the performance of an underlying but incorporate a knock-out barrier: if the underlying reaches it, the product expires early and the investor loses the investment. They are used for short-term tactical positions with higher leverage and an implicit stop loss.

Multis

A multi warrant allows to obtain a return multiplied by the daily variation of the price of an underlying asset (such as stocks, indices or currencies). This means that each day, the product leverage is readjusted to keep the multiplier constant.

Bonus and bonus cap

They aim to combine upside potential with some protection: they pay a minimum return if the underlying does not break a downward barrier, while also allowing participation in the rise of the asset up to a certain level. They are useful for investors who expect stability or moderate increases in the market.

Inlines

They function as a bet on whether an underlying will remain within a defined range between two barriers until maturity. They pay a fixed return if the range is respected, and zero if it is broken. They are used when the asset is expected to remain with low volatility.

Discounts

They allow an asset to be purchased at a discount to the market but limit the maximum profit that can be obtained. They are used for investors who believe that the underlying will remain stable or rise slightly, prioritizing the cheapest purchase over unlimited profit potential.

Stay High/Stay Low

These are products that pay a fixed return if the underlying always remains above (Stay High) or below (Stay Low) a set level. They are used in all-or-nothing strategies, when there is a clear vision of the market trend.

Certificates

These are non-leveraged investment products that simply replicate the performance of an underlying asset (stocks, indices, commodities, currencies). They allow for diversification with simple and transparent access.

Bonds/structured notes

These are debt securities issued by a financial entity that incorporate a derivative strategy. They pay interest or a return linked to the performance of an underlying asset (stocks, indices, currencies, etc.). They are more geared towards medium- to long-term investments and profiles that seek to combine fixed income with controlled market exposure.

Risks

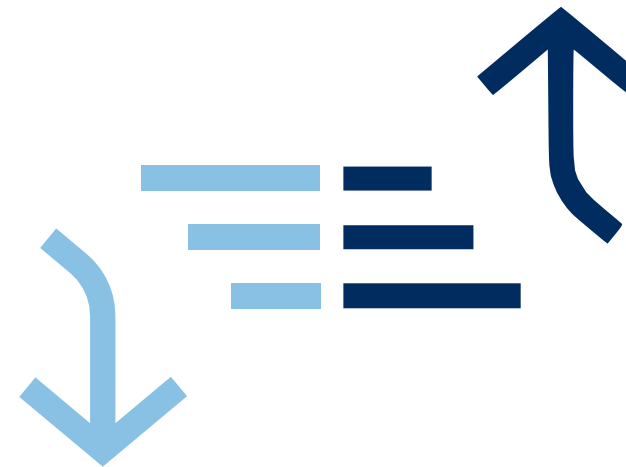
Structured and listed products, such as warrants, turbos, bonuses or certificates, offer attractive opportunities, but they also involve specific risks of which every investor should be aware before trading.

Leverage: The main advantage can become the biggest risk. By amplifying the movements of the underlying, both gains and losses are multiplied. In many cases, investors may lose 100% of the invested capital.

Barrier/knock-out: Products such as turbos or inline warrants include barriers that, if reached, result in the immediate and total loss of the investment or its early settlement. This can occur even with very brief movements.

Loss of time value: Traditional warrants lose value over time (time decay). Even if the underlying does not move, the product may depreciate to zero at the maturity date.

Volatility and sensitivity: The price of many warrants depends on implied volatility and other factors (the "Greeks"). Changes in market volatility can negatively impact the value, even if the underlying does not move against it.



Liquidity: Although market makers quote prices at all times, spreads can widen in situations of market stress, making it difficult to exit a position under favorable conditions.

Issuer risk: All these products are securities issued by a financial institution. If the issuer has solvency problems, the investor is exposed to additional credit risk, regardless of the performance of the underlying.

Complexity: Some products (bonuses, stay high/low, discounts) have conditional payment mechanisms. It is important that the investor knows how the product works. Moreover, some products are sensitive only or almost exclusively to changes in the price of the underlying asset, while others also respond to the passage of time, the volatility of the underlying, changes in interest rates or dividends.

Costs and frictions

When investing in listed structured products, it is not only the performance of the underlying that counts, but also the costs and operating conditions that affect the final result.

Spread: The difference between the purchase price and the sale price quoted by the market maker. In times of greater volatility or less liquidity, this margin can widen, making the operation more expensive.

Implicit financing cost: In products such as turbos and multis, the issuer incorporates a daily funding cost at the strike or barrier level. This means that the longer the position is held, the greater the effect of this “hidden load”.

Broker's commission: When traded on the stock exchange, the purchase and sale of warrants, turbos or certificates generates commissions similar to those of shares. Each broker applies its own rates, which should be reviewed.

Currencies: If the underlying is quoted in a currency other than the euro, an additional cost or risk linked to the exchange rate may be added.



Classification and market trends

According to European MiFID II regulations, warrants and certificates fall into the category of “securitized derivatives”, which are financial instruments packaged as listed securities that replicate derivative strategies.

In practice, the most widely used classification in Europe is that established by EUSIPA (European Structured Investment Products Association), which distinguishes between investment products and leverage products, and within the latter, between those with a barrier (knock-out) and those without one.

Recent data clearly shows the direction of investor interest: in 2025, about 67% of the traded volume was in leverage products. Within this category, the most popular products were knock-out products, also known as turbos, which accounted for approximately three quarters of the trading.



Q&A

What is the difference between a warrant and an option?

Both are similar, but warrants are issued by banks or other financial entities and traded on an exchange as securities, whereas options are generated in standardized derivatives markets.

What does it mean for a warrant to have leverage?

It means that small variations in the price of the underlying generate larger changes: in percentage, in the value of the warrant, multiplying both gains and losses.

Can I lose more money than I invest in a warrant?

No, the maximum risk is limited to the capital invested in the purchase of the product. There are no margin calls.

Who are warrants suitable for?

They are aimed at active and experienced investors seeking short or medium-term tactical strategies, accepting the risk of losing the invested capital.

How long do warrants typically last?

Generally, between 6 and 12 months, although some issuers offer longer or even perpetual terms.

How are warrants bought and sold?

They are traded on the stock exchange through a broker, just like a stock, by entering buy or sell orders.

How is a warrant settled?

The vast majority are settled in cash: the difference between the strike and the price of the underlying at maturity is paid.

Glossary of key terms

Leverage: Measures how a warrant amplifies changes in the price of the underlying asset. It allows for greater exposure to market movements with a smaller initial investment, but also increases potential losses.

Strike price: Depending on the style of the contract, it is the predetermined price at which the warrant holder can buy (call) or sell (put) the underlying asset on or before the expiration date.

Greeks: Set of indicators derived from the valuation model (such as delta, gamma, vega or theta) that measure the sensitivity of the warrant to factors such as movements in the underlying, time or volatility.

Barrier/knock-out: Predefined level of the underlying that, if reached, causes the immediate deactivation of the product (knock-out), causing it to lose its value or to be settled early.

Intrinsic value: Positive difference between the price of the underlying and the strike price of an exercisable warrant. It represents what the product would be worth if exercised at that time.

Time value: Portion of the warrant price that reflects the time remaining until expiration and the expectation of future movements of the underlying. It decreases as the expiration date approaches.

Maturity date: Last day on which the warrant can be exercised or settled. After that date, the product ceases to exist.

Exercise a warrant: Make use of the right to buy or sell the underlying. In practice, most warrants are automatically cash-settled at expiration.

In the money (ITM): Warrant with positive intrinsic value (for a call, when the underlying is trading above the strike; for a put, when it is below).

At the money (ATM): Warrant whose exercise price is practically the same as that of the underlying.

Out of the money (OTM): Warrant with no intrinsic value (for a call, when the underlying is below the strike; for a put, when it is above).

Premium: Price paid to acquire a warrant in the market, composed of its intrinsic value plus the time value.

Call: Warrant that grants the right to buy the underlying asset at the strike price. It is used with a bullish mindset.

Put: Type of warrant that grants the right to sell the underlying at the strike price. It is used with a bearish mindset or for portfolio hedging.

Underlying: Financial asset on which the warrant is issued and which determines its value (it may be a stock, index, currency, commodity or bond).

Volatility: Measure of the intensity of movements in the price of the underlying. The higher the expected volatility, the higher the price of the warrant usually is.

Black-Scholes: Reference mathematical model in the valuation of options and warrants to estimate their theoretical price based on factors such as the underlying, strike price, time, volatility and interest.

Ratio/parity: Number of warrants required to be entitled to one unit of the underlying. It allows the price of the warrant to be adjusted to values more accessible to retail investors.

American style: Type of warrant that can be exercised at any time from its issuance until the expiration date.

European style: Type of warrant that can only be exercised on the expiration date.

Market maker: Financial entity that undertakes to quote bid and ask prices for a structured product in the market, guaranteeing liquidity and allowing investors to enter and exit their positions at any time.

Issuer: Financial institution that creates and places a warrant or structured product on the market, so there is a credit risk linked to its solvency.

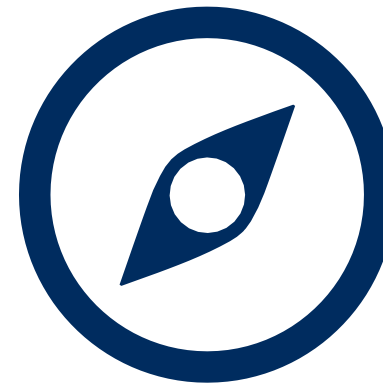
KID (Key Information Document/Key information document for PRIIPs): Standardized and mandatory document in the European Union that clearly summarizes the objectives, operation, costs and risks of a structured product, so that retail investors can easily compare it with other products before purchasing it.



Concluding remarks

Investing in listed structured products requires preparation, discipline and a clear understanding of the risks and opportunities they offer. Realistic objectives should be set in advance, levels should be defined to collect profits or limit losses, and consistency in achieving them should be maintained.

Structured products can be very valuable tools for diversifying portfolios, hedging positions and capitalizing on specific market movements. However, their success depends on investors using them wisely and understanding how they work and the conditions attached to them.



For more information on structured products, please visit:



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Plaza de la Lealtad, 1,
Palacio de la Bolsa 28014
Madrid

www.bolsasymercados.es

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