

Non-Bank FI Ratings Navigator

Publish Date: **24-Jan-19**

Sector Details

Sector: Securities Firms
Region: Developed Markets - Europe
Country: Switzerland
Country IDR: AAA Stable
Country IDR Action: Affirmed
Country Action Date: 21-Sep-18
Country Ceiling: AAA

Rating History

Date	IDR	Action
14-Jan-19	BBB-	Positive New Rating

Bar Chart Legend

Vertical Bars = Range of Rating Factor

Bar Colors = Relative Influence

- Higher Influence (Red)
- Moderate Influence (Blue)
- Lower Influence (Light Blue)

Bar Arrows = Rating Factor Outlook

- ↑ Positive
- ↓ Negative
- ↕ Evolving
- Stable

Relevant Criteria & References

[Non-Bank Financial Institutions Rating Criteria \(Oct 2018\)](#)

Analysts

Christian Kuendig (+44 20 3530 1399)
Yong Xie (+44 20 3530 1995)

Factor Levels	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalization & Leverage	Funding, Liquidity & Coverage	Issuer Default Rating
aaa									AAA
aa+									AA+
aa									AA
aa-	█								AA-
a+	█								A+
a	█								A
a-					█				A-
bbb+			█	█	█	█	█		BBB+
bbb									BBB
bbb-		█	█	█					BBB- Positive
bb+								█	BB+
bb									BB
bb-									BB-
b+									B+
b									B
b-									B-
ccc+									CCC+
ccc									CCC
ccc-									CCC-
cc									CC
c									C
f									D or RD

Direct Peer Group

Company Name	IDR	Action	Action Date
EFG International AG	A Negative	Affirmed	16-Jul-2018
The Charles Schwab Corporation	A Stable	Affirmed	07-Mar-2018
KBL European Private Bankers SA	BBB+ Stable	New Rating	24-Jul-2018
Man Strategic Holdings Limited	BBB+ Stable	Affirmed	31-May-2018
N M Rothschild & Sons Limited	BBB+ Stable	Affirmed	05-Jun-2018
Jefferies Group LLC	BBB Stable	Upgrade	13-Feb-2018
Stifel Financial Corp	BBB Stable	Affirmed	19-Jun-2018

Drivers & Sensitivities

Sound Financial Metrics Leonteq's IDRs reflect its sound financial metrics including improving capitalisation, moderate credit risk and robust liquidity management, and its sophisticated structured products issuance platform and risk management systems.

Adequate but Concentrated Franchise An established franchise underpins a solid record of relatively stable revenues. Revenues may be more volatile than at higher-rated asset managers due to their partly volume-driven nature.

Competitive Business Segment Leonteq operates in a narrow and competitive asset management segment and relies on a fairly small number of issuance partners. A large proportion of revenue relies on client appetite for structured products offered on its platform.

Broad Product Offering A broad product offering means adequate returns are expected under most market conditions, supported by a small but growing insurance and wealth planning solutions division.

Robust Risk Controls Risk management benefits from having to comply with Finma requirements for securities firms, which are broadly identical to those of banks. Market risk management is underpinned by a granular limit framework and frequent stress-testing. Liquidity needs from hedging activities are large but adequately stress-tested and mitigated by a large unencumbered liquidity buffer. Balance-sheet leverage is adequate, and the CET1 ratio is strong and generally resilient to meaningful shocks.

Sound Capitalisation The Outlook reflects Fitch's view that improved issuance partner diversification, enhanced scale, more efficient balance-sheet use and growth in its capital base could – over the Outlook horizon – lead to an upgrade.

Positive Outlook Increased scale and reduced reliance on its main issuance partners, leading to better business diversification and a more resilient business model, could be rating positive for Leonteq, particularly if combined with improved capitalisation.

Scale and Diversification Significant progress in expanding Leonteq's capital base in absolute terms could lead to a positive rating action.

Improving Capitalisation Weaker risk management standards could be ratings negative, as could failure to execute on improving capitalisation in line with projections or the incurrence of a material operational loss, negatively affecting Leonteq's capital base.

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