

# Market Volume

in Derivatives



## Structured products market somewhat weaker in March

### Further growth in Reverse Convertibles

The outstanding volume of the German structured products market decreased slightly as of the end of the first quarter. It remained somewhat higher than at the beginning of the year, however. One of the main reasons for this was the redemption of a large number of products which matured in March.

Overall, the market volume fell by 1.9 percent or EUR 1.7 billion in January compared with the previous month. Price effects only had a minor impact. The price-adjusted decrease in market volume was 1.8 percent or EUR 1.6 billion. This is shown by the latest figures collected each month from 16 banks by the European Derivatives Group (EDG AG) on

behalf of Deutscher Derivate Verband (DDV), the German Derivatives Association.

Extrapolating the figures collected by EDG to all issuers puts the **total volume of the German structured products market at EUR 90.6 billion at the end of March.**

Compared with the previous month, the **ratio of investment certificates to leverage products** shifted slightly in favour of leverage products. They accounted for 1.8 percent of the market volume, while investment products made up 98.2 percent.

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## Market Volume March I 2014

- The total volume of the German structured products market decreased to EUR 90.6 billion at the end of the first quarter of 2014. It should be noted, however, that many Structured Products traditionally mature in March.
- Investment products continued to shape the overall picture with a share of 98.2 percent, while leverage products played a minor role at 1.8 percent.
- Reverse Convertibles and Express Certificates succeeded in bucking the overall market trend, while Capital Protection Products with Coupon and Credit Linked Notes lost volume considerably.
- Structured Products offering full capital protection remained dominant in March. Two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

## Investment products by product category

The volume of **investment products offering full capital protection** fell in the reporting month, but they still remained the most popular category among investors. Capital Protection Products with Coupon decreased by 3.5 percent or EUR 1.5 billion compared with the previous month. They accounted for more than half of the volume of investment certificates with a share of 50.9 percent. Uncapped Capital Protection Certificates lost 0.3 percent or EUR 36 million in volume. Their market share was 15.1 percent. Over two-thirds of the market volume was invested in these two product categories in March.

The market volume of **Reverse Convertibles** rose by 1.7 percent or EUR 109 million compared with February, thereby bucking the trend. Their share in the volume of investment products was 7.6 percent at the end of the month.

**Express Certificates** also made gains in March. They were up 1.4 percent or EUR 66 million and accounted for a 5.7 percent market share.

The volume of **Tracker Certificates** shrank, falling 0.5 percent or EUR 24 million. Their share of the total volume also stood at 5.7 percent.

**Credit Linked Notes** experienced the sharpest decline in March, losing 4.3 percent or EUR 206 billion. Their share of the total volume fell to 5.4 percent.

**Discount Certificates** also lost ground. Their volume decreased by 1.6 percent or EUR 68 million at the end of the first quarter. They accounted for 5.0 percent of the total volume.

By contrast, the volume of **Bonus Certificates** grew in March, gaining 1.4 percent or EUR 35 million. Their volume share of the investment products segment was 2.9 percent.

The **Outperformance and Capped Outperformance Certificates** category also expanded, coming in up 1.3 percent or EUR 2 million. However, as it accounted for just 0.2 percent of the total volume, this increase had scarcely any impact on the overall trend among the investment products.

The volume of **other investment products without capital protection** rose by 2.2 percent or EUR 27 million. They accounted for 1.5 percent of the volume.

## Leverage products by product category

The market volume of **leverage products** shrank at a slightly faster rate than the overall market, down 4.6 percent or EUR

76 million. All three product categories lost market volume. However, this was solely attributable to negative price effects.

The volume invested in **Knock-Out Warrants** fell by 4.8 percent or EUR 35 million in comparison with the previous month. Their share in the volume of leverage products was 43.8 percent.

The volume of **Warrants** also fell. The losses of 4.3 percent or EUR 29 million in this category were also due to negative price effects alone. They accounted for 40.7 percent of the volume.

**Factor Certificates** also lost ground. Their outstanding volume contracted by 4.9 percent or EUR 13 million. They accounted for 15.6 percent of the leverage products segment.

## Investment products by underlying

Despite charting substantial losses in March, Structured Products with **interest rates as an underlying** remained very popular with a volume share of 58.4 percent. Their volume fell by 3.4 percent or EUR 1.8 billion.

As in the previous months, Structured Products with **equities as an underlying** followed in second place. Their

volume share stood at 21.1 percent. The outstanding volume rose by 0.2 percent or EUR 42 million in the month under review.

With a share of 18.3 percent, investment certificates with **indices as an underlying** ranked after equities. Their market volume experienced somewhat stronger growth, climbing by 0.7 percent or EUR 106 million.

Following at some distance behind the other underlying classes were investment certificates with **commodities as an underlying**. Their market volume fell by 2.4 percent or EUR 26 million. Their share in the volume of investment products was 1.2 percent in March.

At 0.9 percent, the share of investment products with **investment funds as an underlying** was even lower.

Investment certificates with **currencies as an underlying** had hardly any impact in relation to the general trend with a share of 0.1 percent.

## Leverage products by underlying

With a share of 45.2 percent, instruments with **equities as an underlying** were the most popular category in the leve-

rage products segment. However, they charted substantial losses of 5.6 percent or EUR 43 million in March.

Leverage products with **indices as an underlying** also proved popular with investors. Their trading volume climbed by 0.7 percent or EUR 4 million. They made up 40.6 percent of the leverage products market.

Following at some distance behind equity and index securities were leverage products with **commodities as an underlying**. Their outstanding volume experienced the sharpest decline, down 17.5 percent or EUR 32 million. Their share of the total volume of leverage products therefore fell to 9.4 percent.

The market volume of leverage products with **currencies as an underlying** also shrank. They tumbled 5.3 percent or EUR 3 million. The losses resulted in a volume share of 2.8 percent.

Leverage products with **indices as an underlying** also fell in March, dropping by 10.5 percent or EUR 3 million. Since they accounted for only 1.8 percent of the volume, their impact on the general trend was not significant, however. ■

The following companies contributed to the market volume statistics:



## Deutscher Derivate Verband (DDV)

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the 17 leading issuers of derivatives in Germany: Barclays, BayernLB, BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, DZ BANK, Goldman Sachs, Helaba, HSBC Trinkaus, HypoVereinsbank, LBB, LBBW, Royal Bank of Scotland, Société Générale, UBS and Vontobel. The Association's work is supported by nine sponsoring members, which include the Stuttgart and Frankfurt am Main stock exchanges, finance portals and service providers.

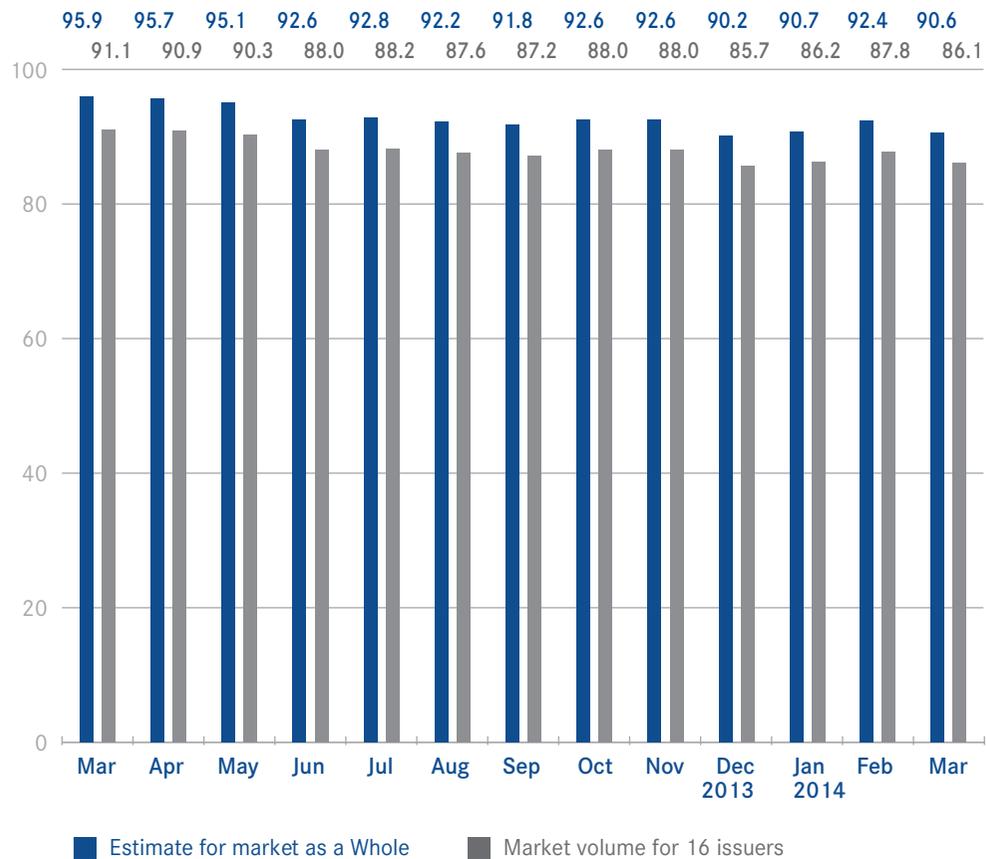
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## Market volume since March 2013



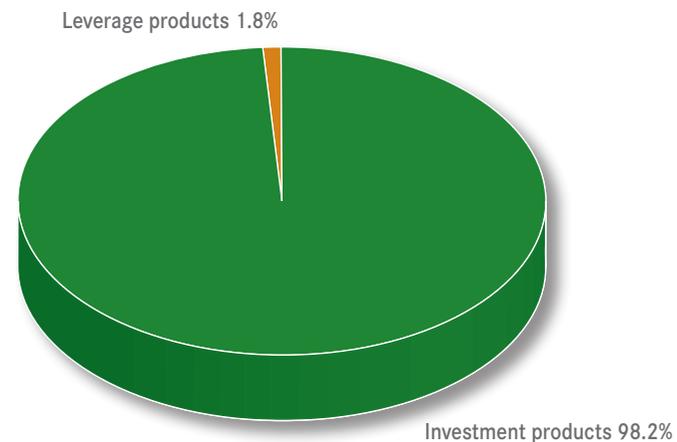
## Product classes

Market volume as at 31 March 2014

Product classes	Market volume	Share
	T€	%
Investment products	84.511.680	98.2%
Leverage products	1.581.428	1.8%
<b>Total Derivatives</b>	<b>86.093.108</b>	<b>100.0%</b>

## Product classes

Market volume as at 31 March 2014

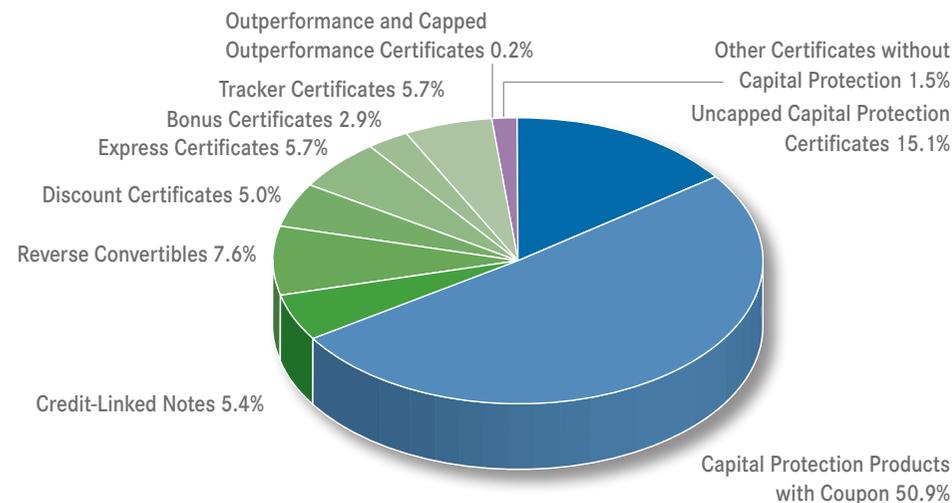


## Market volume by product category as at 31 March 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	12,755,237	15.1%	12,737,521	15.1%	3,371	0.9%
■ Capital Protection Products with Coupon	43,025,497	50.9%	43,069,222	51.0%	2,523	0.7%
■ Credit-Linked Notes	4,535,493	5.4%	4,531,085	5.4%	1,014	0.3%
■ Reverse Convertibles	6,532,820	7.6%	6,542,288	7.7%	73,723	19.1%
■ Discount Certificates	4,187,841	5.0%	4,180,551	4.9%	117,027	30.3%
■ Express Certificates	4,858,465	5.7%	4,851,388	5.7%	4,033	1.0%
■ Bonus Certificates	2,438,604	2.9%	2,418,422	2.9%	180,484	46.8%
■ Tracker Certificates	4,788,391	5.7%	4,808,499	5.7%	2,360	0.6%
■ Outperformance and Capped Outperformance Certificates	126,981	0.2%	125,925	0.1%	853	0.2%
■ Other Certificates without Capital Protection	1,262,351	1.5%	1,258,322	1.5%	601	0.2%
<b>Investment products total</b>	<b>84,511,680</b>	<b>98.2%</b>	<b>84,523,223</b>	<b>98.0%</b>	<b>385,989</b>	<b>43.3%</b>
■ Warrants	643,337	40.7%	712,542	41.6%	296,489	58.7%
■ Factor Certificates	246,058	15.6%	271,326	15.8%	1,147	0.2%
■ Knock-Out Warrants	692,033	43.8%	729,210	42.6%	207,780	41.1%
<b>Leverage products total</b>	<b>1,581,428</b>	<b>1.8%</b>	<b>1,713,079</b>	<b>2.0%</b>	<b>505,416</b>	<b>56.7%</b>
<b>Total</b>	<b>86,093,108</b>	<b>100.0%</b>	<b>86,236,302</b>	<b>100.0%</b>	<b>891,405</b>	<b>100.0%</b>

## Investment products by product category

Market volume as at 31 March 2014

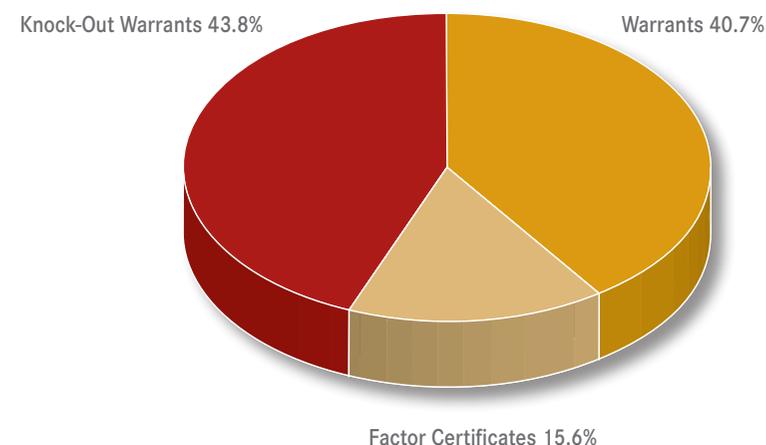


## Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect	
	T€	in %	T€	in %	T€	in %
■ Uncapped Capital Protection Certificates	-35,909	-0.3%	-53,625	-0.4%	-17,716	-0.1%
■ Capital Protection Products with Coupon	-1,540,548	-3.5%	-1,496,823	-3.4%	-43,725	-0.1%
■ Credit-Linked Notes	-206,186	-4.3%	-210,594	-4.4%	-4,408	0.1%
■ Reverse Convertibles	109,111	1.7%	118,578	1.8%	9,467	-0.1%
■ Discount Certificates	-67,562	-1.6%	-74,852	-1.8%	-7,290	0.2%
■ Express Certificates	65,739	1.4%	58,663	1.2%	-7,076	0.1%
■ Bonus Certificates	34,527	1.4%	14,345	0.6%	20,182	0.8%
■ Tracker Certificates	-23,668	-0.5%	-3,560	-0.1%	-20,108	-0.4%
■ Outperformance and Capped Outperformance Certificates	1,608	1.3%	551	0.4%	1,057	0.8%
■ Other Certificates without Capital Protection	27,102	2.2%	23,073	1.9%	4,029	0.3%
<b>Investment products total</b>	<b>-1,635,787</b>	<b>-1.9%</b>	<b>-1,624,244</b>	<b>-1.9%</b>	<b>-11,543</b>	<b>0.0%</b>
■ Warrants	-28,680	-4.3%	40,525	6.0%	-69,205	-10.3%
■ Factor Certificates	-12,564	-4.9%	12,705	4.9%	-25,269	-9.8%
■ Knock-Out Warrants	-34,841	-4.8%	2,336	0.3%	-37,177	-5.1%
<b>Leverage products total</b>	<b>-76,085</b>	<b>-4.6%</b>	<b>55,566</b>	<b>3.4%</b>	<b>-131,651</b>	<b>-7.9%</b>
<b>Total</b>	<b>-1,711,872</b>	<b>-1.9%</b>	<b>-1,568,678</b>	<b>-1.8%</b>	<b>-143,194</b>	<b>-0.2%</b>

## Leverage products by product category

Market volume as at 31 March 2014



## Market volume by underlying asset as at 30 March 2014

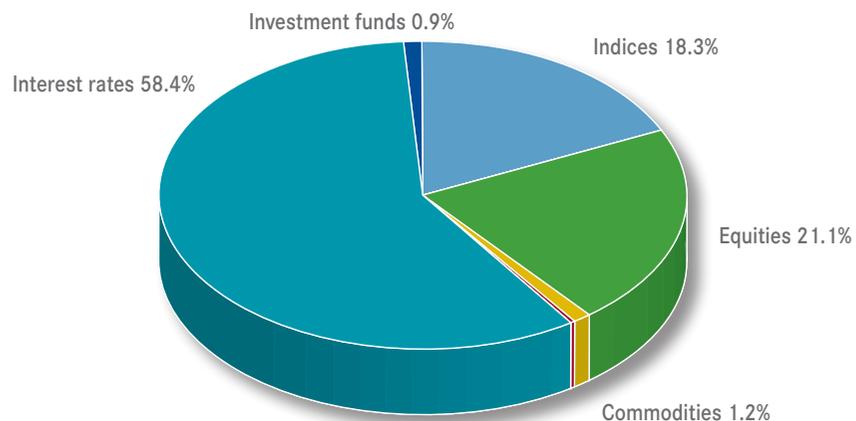
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
<b>Investment products</b>						
Indices	15,425,528	18.3%	15,377,132	18.2%	98,217	25.4%
Equities	17,802,573	21.1%	17,811,916	21.1%	281,803	73.0%
Commodities	1,039,054	1.2%	1,059,253	1.3%	2,005	0.5%
Currencies	112,041	0.1%	111,899	0.1%	67	0.0%
Interest rates	49,387,157	58.4%	49,427,181	58.5%	3,770	1.0%
Investment funds	745,328	0.9%	735,842	0.9%	127	0.0%
	<b>84,511,680</b>	<b>98.2%</b>	<b>84,523,223</b>	<b>98.0%</b>	<b>385,989</b>	<b>43.3%</b>
<b>Leverage products</b>						
Indices	642,696	40.6%	675,859	39.5%	124,156	24.6%
Equities	715,220	45.2%	784,889	45.8%	322,418	63.8%
Commodities	149,123	9.4%	173,952	10.2%	24,028	4.8%
Currencies	45,011	2.8%	45,580	2.7%	32,719	6.5%
Interest rates	28,967	1.8%	32,406	1.9%	2,066	0.4%
Investment funds	412	0.0%	392	0.0%	29	0.0%
	<b>1,581,428</b>	<b>1.8%</b>	<b>1,713,079</b>	<b>2.0%</b>	<b>505,416</b>	<b>56.7%</b>
<b>Total</b>	<b>86,093,108</b>	<b>100.0%</b>	<b>86,236,302</b>	<b>100.0%</b>	<b>891,405</b>	<b>100.0%</b>

\*Market volume adjusted for price changes = quantity outstanding as at 31 March 2014 x price as at 28 February 2014

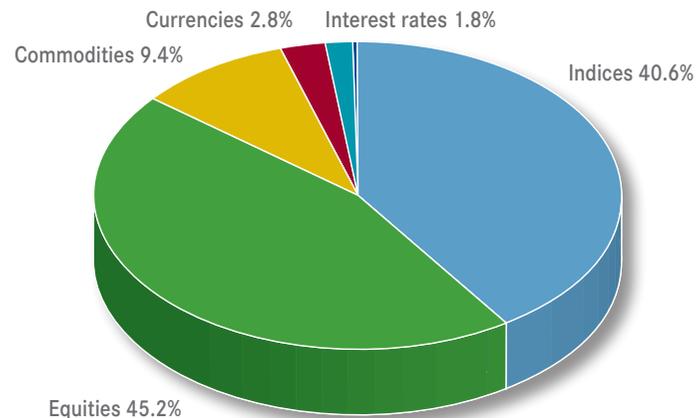
## Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
<b>Investment products</b>					
Indices	105,730	0.7%	57,335	0.4%	0.3%
Equities	42,341	0.2%	51,684	0.3%	-0.1%
Commodities	-25,605	-2.4%	-5,406	-0.5%	-1.9%
Currencies	-1,604	-1.4%	-1,746	-1.5%	0.1%
Interest rates	-1,757,138	-3.4%	-1,717,114	-3.4%	-0.1%
Investment funds	489	0.1%	-8,996	-1.2%	1.3%
	<b>-1,635,787</b>	<b>-1.9%</b>	<b>-1,624,244</b>	<b>-1.9%</b>	<b>0.0%</b>
<b>Leverage products</b>					
Indices	4,365	0.7%	37,528	5.9%	-5.2%
Equities	-42,761	-5.6%	26,909	3.6%	-9.2%
Commodities	-31,738	-17.5%	-6,908	-3.8%	-13.7%
Currencies	-2,525	-5.3%	-1,955	-4.1%	-1.2%
Interest rates	-3,412	-10.5%	28	0.1%	-10.6%
Investment funds	-15	-3.5%	-36	-8.4%	4.8%
	<b>-76,085</b>	<b>-4.6%</b>	<b>55,566</b>	<b>3.4%</b>	<b>-7.9%</b>
<b>Total</b>	<b>-1,711,872</b>	<b>-1.9%</b>	<b>-1,568,678</b>	<b>-1.8%</b>	<b>-0.2%</b>

## Investment products by underlying asset Market volume as at 31 March 2014



## Leverage products by underlying asset Market volume as at 31 March 2014



## Collection, validation and analysis methodology

### 1. Calculation of the market volume

In calculating the outstanding volume, the first step is to establish the market volume for an individual issue by multiplying the quantity outstanding by the market price on the last trading day of the month under review. The total market volume is calculated by adding the individual values. The price-adjusted figure is obtained by valuing the outstanding quantities at the market prices on the last trading day of the previous month. Newly launched products are valued at the price on the last trading day in the month under review.

### 2. Calculation of the turnover

Turnover is calculated at the relevant exercise price by aggregating the individual trades per issue and period and then adding them up. Purchases and sales are included at their relevant absolute amounts. The only turnover recorded is that relating to end customers. Also, issues are not classified as turnover until their value dates. By contrast, repayments are not included in the turnover figures, since they do not constitute actual trades. This means that there is a natural outflow of funds at the maturity date of the products, although this is offset by new issues if investors continue to invest in these investment classes. This turnover calculation can lead to inflows of funds in one investment class in one month that exceed the turnover recorded for that month in terms of their amounts. Also, large price fluctuations can lead to a change in the market volume that exceeds the turnover amount in terms of its amount.

### 3. Definition of the retail products covered

The collection and analysis process covers market volume and turnover in retail products that are publicly offered and listed on at least one German stock exchange in the relevant survey period. Private placements, institutional transactions and white-label trading are not covered. The possibility that parts of an issue may be bought by institutional investors, for instance through the stock exchange, cannot be ruled out.

### 4. DDV classification system (Derivatives League)

The product classification system used is based on DDV's Derivatives League concept. Investment products include Uncapped Capital Protection Certificates, Capital Protection Products with Coupon, Reverse Convertibles, Discount Certificates, Express Certificates, Bonus Certificates, Tracker Certificates, Outperformance and Capped Outperformance Certificates, as well as other investment products without capital protection. Leverage products comprise Warrants and Knock-Out Warrants. (For further details please refer to [http://www.derivateverband.de/DE/MediaLibrary/Document/ddv\\_klassifizierung\\_final.pdf](http://www.derivateverband.de/DE/MediaLibrary/Document/ddv_klassifizierung_final.pdf)).

### 5. Differentiation by investment class

Retail products are differentiated by the investment class of the underlying. All products with an equity component are included among the equity-based investment or leverage products. Products with a purely bond-based underlying (e.g. index certificates based on the German REX bond index, capital protected certificates based on the EURIBOR Euro Interbank Offered Rate) are included in the investment class of bonds. The currencies and commodities investment class comprises products based on goods, commodities and currencies. Hedge fund products are also shown separately.

### 6. Collection of the data

Each month, the issuers provide the relevant data in a specified scope and format from their internal systems (trading, risk management and pricing systems etc.). The mandatory information comprises ISIN, product type, asset class of the underlying, product category, turnover, market volume, quantity outstanding, maturity date of the products, product name, issue date, issue volume (quantity issued). The optional information includes details of the underlying, the knock-out thresholds, market prices and listings on German stock exchanges.

### 7. Monitoring of compliance with the self-commitment

Compliance with the code of conduct is monitored by means of on-site and off-site inspection of data and systems. Random sampling and targeted requests for selected information are backed up by cross-checking of data using stock exchange data, information services and the websites of issuers. In particular, the data are reconciled on a regular basis in cooperation with Boerse Stuttgart, with the main focus on stock exchange listing, the categorisation of products and the substantiation of figures for turnover and outstanding volumes.

### DISCLAIMER

EDG AG regularly checks the methods and analyses on which this interpretation is based. However, it does not guarantee the correctness of the analyses. By signing up to the voluntary agreement, the issuers have agreed to ensure the correctness of the transaction data provided by them, and on which the analysis is based. However, EDG AG cannot guarantee the correctness or the completeness of the data from the issuers.

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