

Market Volume

in Derivatives



Certificates market dips slightly

Many investment certificates and leverage products matured at the end of the first six months of the year

According to the latest figures collected each month from 16 banks by the European Derivatives Group (EDG) on behalf of Deutscher Derivate Verband (DDV), the German Derivatives Association, the volume of the structured products market was down slightly in June compared with May. Many products matured in June and were not fully reinvested. The open interest fell slightly by 1.2 percent, or € 1.1 billion. Prices of certificates rose by 0.8 percent in June. The price-adjusted decline in open interest was 2.0 percent, or € 1.9 billion.

When the figures collected by EDG are extrapolated to all issuers, the **total volume of the German certificates market at the end of June** was **€ 100.2 billion**.

There was only a slight change in the **ratio of investment certificates to leverage products** in June. Investment products accounted for 98.9 percent of the market volume, while leverage products accounted for 1.1 percent.

Investment products by product category

Investors' interest continued to be focused on **investment products offering full capital protection** in June. This category accounted for 68.2 percent of the volume invested. The market volume of **Capital Protection Products with Coupon** was fairly stable during June. A fall in prices of 0.2 percent actually resulted in a slight net inflow of funds of 0.2 percent, or € 80 million. Capital Protection Products

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Market Volume June | 2012

- The market volume of investment certificates and leverage products fell by 1.2 percent, or € 1.1 billion, in June. The total volume of the German certificate market was € 100.2 billion.
- Investment products accounted for 98.9 percent of the market volume in June. Leverage products accounted for only 1.1 percent.
- Security continued to be of great importance to investors. In June, 68.2 percent of investment products sold had full capital protection.
- Interest rates were the dominant underlying for investment products, at 55.9 percent, while indices led the field as the underlying for leverage products, at 40.3 percent.

with Coupon accounted for 50.3 percent of investment products, making this by far the most popular investment product category. By contrast, the market volume of **Uncapped Capital Protection Certificates** fell by 3.5 percent, or € 603 million, as a result of some larger issues maturing. The market share of these products was 17.9 percent.

There was also a decline in the open interest in **Reverse Convertibles** in June. The outstanding volume fell by 1.8 percent, or € 82 million. As in the previous month, Reverse Convertibles accounted for 4.8 percent of the total volume of investment products.

June is traditionally a common month for Warrant contracts and many popular certificate structures to mature. This had a particularly significant effect among **Discount Certificates**, of which the outstanding volume fell by 4.6 percent, or € 294 million. Prices of Discount Certificates rose by 2.7 percent on average during June. This resulted in an even sharper drop by 7.3 percent, or € 464 million, in the price-adjusted volume. Nevertheless, Discount Certificates remained the most popular category of investment products without full capital protection, with a share of 6.6 percent.

The most significant change in prices in June was in the **Express Certificates** category, at 6.2 percent. After adjustment for prices, there was a decline of 6.8 percent, or € 356 million, in this category. The market share of Express Certificates was unchanged at 5.7 percent.

There was also a decline in the volume of **Bonus Certificates**. At 5.2 percent, or € 157 million, this category saw proportionally the most significant decline. Price changes played a major role in this development. In the positive market environment, the prices of Bonus Certificates rose by 5.0 percent on average. This resulted in an even bigger drop of 10.2 percent, or € 310 million, in the volume after price adjustment. The share of Bonus Certificates in the total volume fell from 3.3 percent to 3.1 percent in June.

At the same time, the market volume of **Tracker Certificates** went up by 1.1 percent, or € 60 million, in June. The market share of Tracker Certificates was 6.1 percent.

Open interest in **Outperformance Certificates and Capped Outperformance Certificates** fell by 3.5 percent, or € 3 million, in June. However, with a share of only 0.1 percent their impact on the overall trend in investment products was minimal.

Leverage products by product category

There was some variation in the figures for leverage products. The market volume fell by 6.1 percent, or € 70 million. However, this was partly owing to an 8.8 percent fall in the prices of leverage products; the price-adjusted figure shows the market volume grew by 2.7 percent, or € 31 million. ▶▶

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, BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC Trinkaus, HypoVereinsbank, J.P. Morgan, LBBW, MACQUARIE, Royal Bank of Scotland, Société Générale, UBS, Vontobel and WestLB. The Association's work is supported by ten sponsoring members, which include the Stuttgart and Frankfurt am Main stock exchanges, finance portals and service providers.

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Open interest in **Warrants** was down 12.6 percent, or € 72 million. Warrants accounted for 46.8 percent of the volume of leverage products.

At the same time, the market volume of **Knock-Out Warrants** rose very slightly by 0.4 percent, or € 2 million. They accounted for 53.2 percent of the volume of leverage products.

Investment products by underlying

Investment certificates with **interest rates as an underlying** continued to be by far the most popular in June. Owing to the high outstanding volume of **Capital Protection Products with Coupon**, these products accounted for altogether 55.9 percent of the open interest in investment products. The market volume rose very slightly by 0.1 percent, or € 39 million, mainly owing to the growth in the volume of Credit Linked Notes.

By contrast, the market volume of certificates with **indices as an underlying** was down in June. Open interest fell by 1.2 percent, or € 246 million. The price-adjusted outstanding volume fell by 4.6 percent, or € 947 million. Certificates with indices as an underlying accounted for 22.1 percent of the total volume.

Investment certificates with **equities as an underlying** suffered the greatest loss in absolute terms in June. Open interest was down 4.6 percent, or € 836 million. Price rises

of 1.4 percent slowed down the decline, so that this asset class recorded a price-adjusted loss of 5.9 percent, or € 1.1 billion. Investment certificates with equities as an underlying accounted for 19.0 percent of the total volume.

By contrast, the market volume of certificates with **commodities as an underlying** rose by 0.9 percent, or € 13 million. Owing to a 0.4 percent increase in prices, the price-adjusted growth in this asset class was somewhat lower, at 0.5 percent or € 8 million. Commodity-based certificates accounted for 1.7 percent of the total.

The open interest in certificates with **investment funds as an underlying** was unchanged in June. The market share was 1.2 percent.

The market volume of investment certificates with **currencies as an underlying** had a minimal impact on the overall trend. Although the open interest in this asset class fell most sharply in relative terms, by 9.0 percent or € 11 million, its share in the overall volume was only 0.1 percent.

Leverage products by underlying

Despite significant losses of 5.4 percent, or € 24 million, securities with **indices as an underlying** were the most popular asset class among the leverage products in June. With a share of 40.3 percent, they beat equity-based certificates, which suffered even greater losses.

The market volume of leverage products with **equities as an underlying** fell 10.2 percent, or € 41 million. This also reduced the share of equity-based leverage products in the total volume of leverage products; in June they accounted for 33.2 percent of the total volume, compared with 34.8 percent in May.

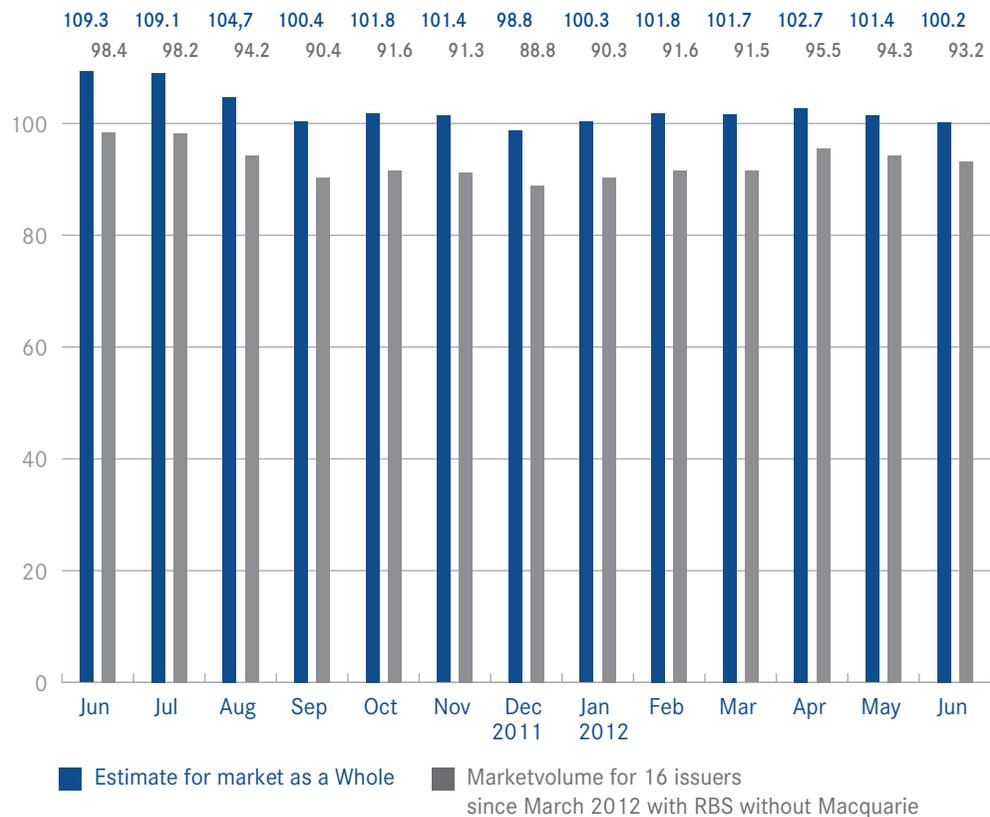
Securities with **commodities as an underlying** were also in particularly high demand among investors. They accounted for 18.8 percent of the total volume of leverage products despite a slight decline of 0.3 percent, or € 1 million, in the open interest. This was due solely to a 4.1 percent fall in prices.

The outstanding volume of leverage products with **currencies as an underlying** in June was down by 13.7 percent, or € 9 million. Their share in the total volume of leverage products was 5.5 percent.

By contrast, open interest in leverage products with **interest rates as an underlying** was 29.7 percent, or € 5 million, more than 25 percent higher than in May. Leverage products with interest rates as an underlying accounted for 2.1 percent of the total volume in June.

Investment funds as an underlying played a minor role among leverage products in June, since they accounted for less than 0.1 percent of the total volume. ■

Market volume since June 2011



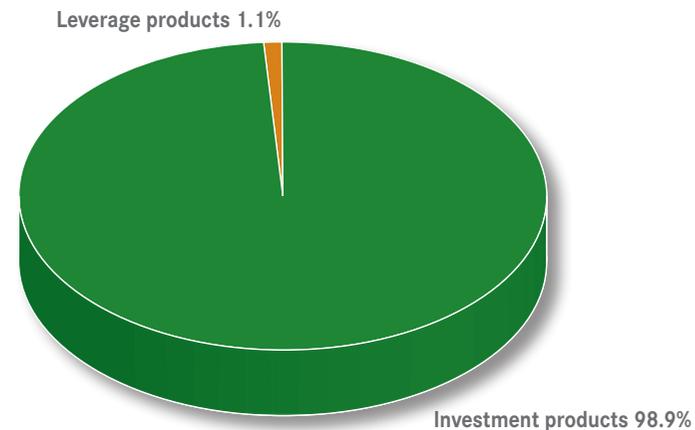
Product classes

Market volume as at 30 June 2012

Produktklasse	Market volume	Share
	T€	%
Investment products	92,082,438	98.9%
Leverage products	1,068,549	1.1%
Total Derivatives	93,150,986	100.0%

Product classes

Market volume as at 30 June 2012

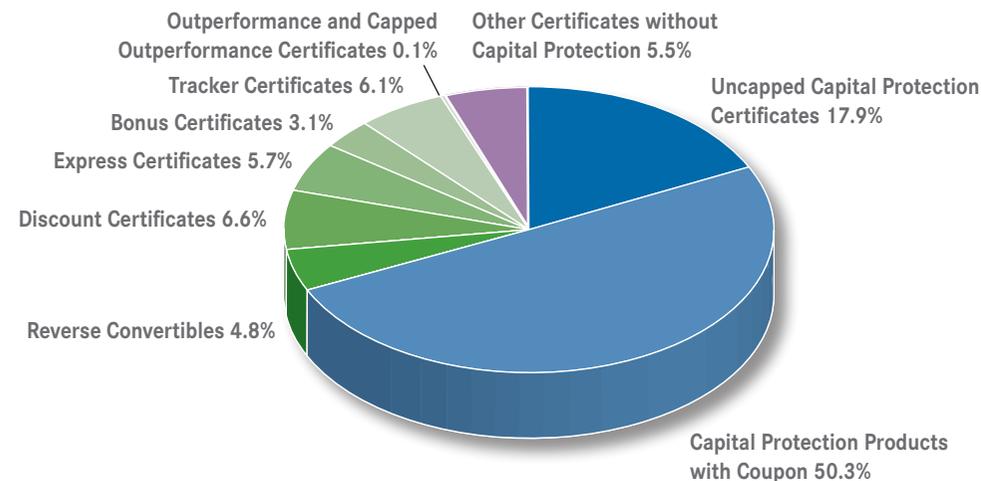


Market volume by product category as at 30 June 2012

Category	Market volume		Market volume adj. f. price changes		Number	
	T€	%	T€	%	#	%
■ Uncapped Capital Protection Certificates	16,487,788	17.9%	16,427,473	18.0%	3,676	1.1%
■ Capital Protection Products with Coupon	46,272,570	50.3%	46,349,402	50.8%	2,193	0.7%
■ Reverse Convertibles	4,444,268	4.8%	4,349,421	4.8%	37,949	11.6%
■ Discount Certificates	6,034,237	6.6%	5,864,252	6.4%	139,409	42.7%
■ Express Certificates	5,248,263	5.7%	4,918,787	5.4%	2,258	0.7%
■ Bonus Certificates	2,886,116	3.1%	2,732,830	3.0%	135,994	41.7%
■ Tracker Certificates	5,589,920	6.1%	5,471,952	6.0%	2,802	0.9%
■ Outperformance and Capped Outperformance Certificates	88,083	0.1%	84,535	0.1%	831	0.3%
■ Other Certificates without Capital Protection	5,031,191	5.5%	5,000,797	5.5%	1,162	0.4%
Investment products total	92,082,438	98.9%	91,199,450	98.7%	326,274	48.2%
■ Warrants	500,442	46.8%	571,295	48.9%	231,986	66.2%
■ Knock-Out Warrants	568,106	53.2%	597,975	51.1%	118,234	33.8%
Leverage products total	1,068,549	1.1%	1,169,270	1.3%	350,220	51.8%
Total	93,150,986	100.0%	92,368,719	100.0%	676,494	100.0%

Investment products by product category

Market volume as at 30 June 2012

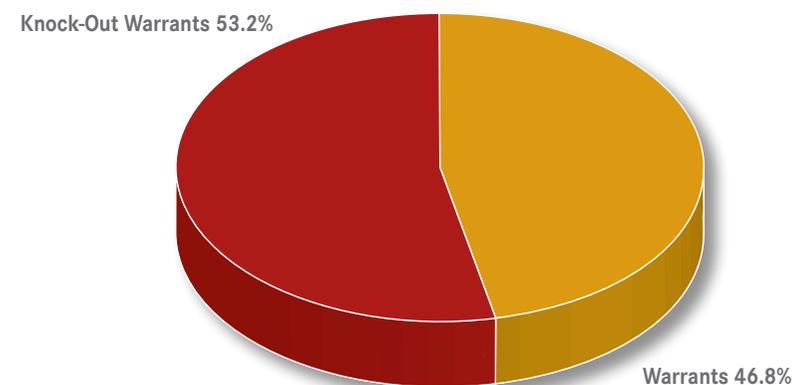


Change in market volume by product category compared with previous month

Category	Change		Change adj. f. price changes		Price effect
	T€	%	T€	%	%
■ Uncapped Capital Protection Certificates	-602,901	-3.5%	-663,216	-3.9%	0.4%
■ Capital Protection Products with Coupon	3,129	0.0%	79,962	0.2%	-0.2%
■ Reverse Convertibles	-81,648	-1.8%	-176,496	-3.9%	2.1%
■ Discount Certificates	-294,234	-4.6%	-464,219	-7.3%	2.7%
■ Express Certificates	-26,901	-0.5%	-356,378	-6.8%	6.2%
■ Bonus Certificates	-157,081	-5.2%	-310,367	-10.2%	5.0%
■ Tracker Certificates	60,403	1.1%	-57,565	-1.0%	2.1%
■ Outperformance and Capped Outperformance Certificates	-3,203	-3.5%	-6,751	-7.4%	3.9%
■ Other Certificates without Capital Protection	61,705	1.2%	31,311	0.6%	0.6%
Investment products total	-1,040,730	-1.1%	-1,923,718	-2.1%	0.9%
■ Warrants	-72,037	-12.6%	-1,185	-0.2%	-12.4%
■ Knock-Out Warrants	2,174	0.4%	32,042	5.7%	-5.3%
Leverage products total	-69,864	-6.1%	30,857	2.7%	-8.8%
Total	-1,110,593	-1.2%	-1,892,860	-2.0%	0.8%

Leverage products by product category

Market volume as at 30 June 2012



Market volume by underlying asset as at 30 June 2012

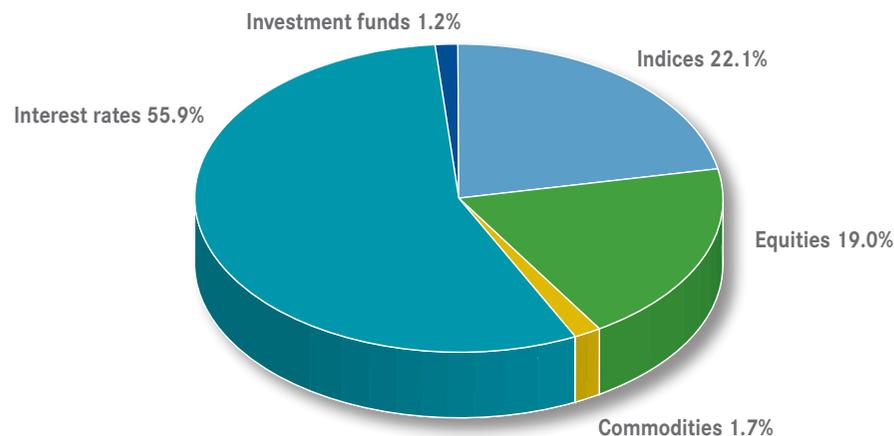
Underlying	Market volume		Market volume adj. f. price changes*		Number	
	T€	%	T€	%	#	%
Investment products						
Indices	20,389,031	22.1%	19,687,942	21.6%	98,838	30.3%
Equities	17,520,906	19.0%	17,270,190	18.9%	221,647	67.9%
Commodities	1,551,596	1.7%	1,545,856	1.7%	2,736	0.8%
Currencies	111,914	0.1%	111,791	0.1%	47	0.0%
Interest rates	51,441,791	55.9%	51,517,331	56.5%	2,877	0.9%
Investment funds	1,067,200	1.2%	1,066,340	1.2%	129	0.0%
	92,082,438	98.9%	91,199,450	98.7%	326,274	48.2%
Leverage products						
Indices	430,802	40.3%	512,630	43.8%	93,609	26.7%
Equities	355,243	33.2%	357,817	30.6%	201,905	57.7%
Commodities	200,932	18.8%	209,289	17.9%	26,475	7.6%
Currencies	59,261	5.5%	66,878	5.7%	26,037	7.4%
Interest rates	22,207	2.1%	22,570	1.9%	2,138	0.6%
Investment funds	104	0.0%	85	0.0%	56	0.0%
	1,068,549	1.1%	1,169,270	1.3%	350,220	51.8%
Total	93,150,986	100.0%	92,368,719	100.0%	676,494	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 30 June 2012 x price as at 31 May 2012

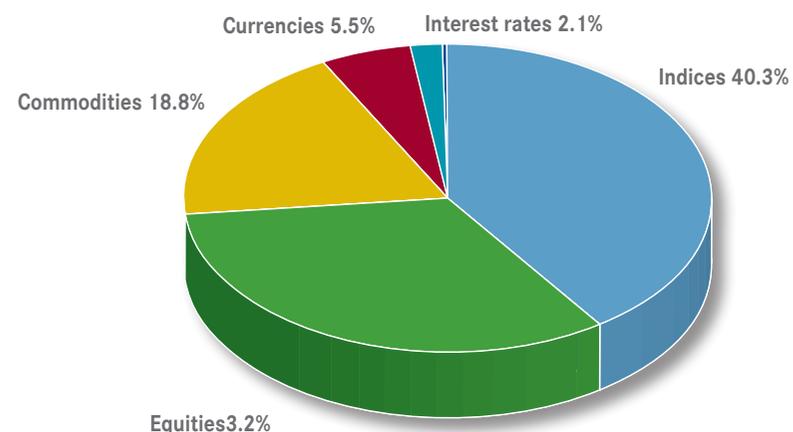
Change in the market volume by underlying asset as at 30 June 2012

Underlying	Change		Change adj. f. price changes*		Price effect
	T€	%	T€	%	
Investment products					
Indices	-245,591	-1.2%	-946,679	-4.6%	3.4%
Equities	-836,479	-4.6%	-1,087,195	-5.9%	1.4%
Commodities	13,359	0.9%	7,619	0.5%	0.4%
Currencies	-11,048	-9.0%	-11,171	-9.1%	0.1%
Interest rates	39,378	0.1%	114,918	0.2%	-0.1%
Investment funds	-363	0.0%	-1,223	-0.1%	0.1%
	-1,040,743	-1.1%	-1,923,731	-2.1%	0.9%
Leverage products					
Indices	-24,395	-5.4%	57,433	12.6%	-18.0%
Equities	-40,562	-10.2%	-37,987	-9.6%	-0.7%
Commodities	-588	-0.3%	7,768	3.9%	-4.1%
Currencies	-9,407	-13.7%	-1,789	-2.6%	-11.1%
Interest rates	5,086	29.7%	5,448	31.8%	-2.1%
Investment funds	17	19.0%	-2	-2.3%	21.3%
	-69,850	-6.1%	30,871	2.7%	-8.8%
Total	-1,110,593	-1.2%	-1,892,860	-2.0%	0.8%

Investment products by underlying asset Market volume as at 30 June 2012



Leverage products by underlying asset Market volume as at 30 June 2012



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).

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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