

Market Volume

in Derivatives



Market volume remains high

Investment products with capital protection dominate the market

After the significant increases at the beginning of the year, the volume of the German certificates market fell at the end of the first quarter, according to the latest data from 16 banks, which is collected each month by the European Derivatives Group (EDG) on behalf of Deutscher Derivate Verband. The outstanding volume of investment certificates and leverage products was down 1.0 percent, or € 963 million.

The decline was mainly attributable to the downward trend in the market in March, which has helped to drive prices down. Average prices across all certificate types fell 0.7 percent in March. This meant open interest was down 0.2 percent, or € 239 million.

When the figures collected are extrapolated to all issuers, **the total volume of the German certificates market at the end of March was € 108.6 billion.**

There was little change in the **ratio of investment certificates to leverage products** in March. Investment products accounted for 98.5 percent of the market volume, and leverage products for 1.5 percent.

Investment products by product category

Investment products with full capital protection continued to be in high demand among investors in March, with 61.3 percent investing in this category. **Uncapped Capital Protection Certificates** accounted for 20.5 percent of ▶▶

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Market Volume March | 2011

- The market volume of investment certificates and leverage products fell by 1.0 percent, or € 963 million, in March. The total volume of derivatives in Germany amounted to € 108.6 billion.
- Investment products accounted for 98.5 percent of the market volume in March, while leverage products had a market share of only 1.5 percent.
- Certificates with full capital protection accounted for 61.3 percent of open interest among the investment products.
- Equities continued to be the dominant underlying. They accounted for 52.4 percent of investment products, and 76.8 percent of leverage products.

this. Their market volume fell by 2.0 percent, or € 404 million. However, open interest in **Capital Protection Products with Coupon** was almost unchanged, with growth of 0.5 percent, or € 198 million, and a market share of 40.8 percent.

The growth trend in **Reverse Convertibles** continued in March, giving this product category a strong boost. The outstanding volume was up 2.7 percent, or € 125 million. This meant that 4.8 percent of the total open interest in investment products was invested in Reverse Convertibles in March.

Although many **Discount Certificates** traditionally mature in March, this product category expanded its market volume by a further 1.4 percent, or € 101 million. Discount Certificates had a market share of 7.6 percent, compared with 7.4 percent in February.

Open interest in **Express Certificates** fell again in the month under review. The outstanding volume was down 4.2 percent, or € 380. This meant that the share of Express Certificates in the total volume for investment certificates was 0.3 percent down on the previous month, at 9.1 percent.

The market share of **Bonus Certificates** was 5.9 percent. The volume outstanding was down 1.5 percent, or € 85 million, in comparison with February.

The picture was similar among **Tracker Certificates**. Open interest was down 2.8 percent, or € 173 million, resulting

in a share of 6.3 percent in the total volume for investment certificates.

The market volume of **Outperformance and Capped Out-performance Certificates** grew by 3.8 percent, or € 9 million. However, owing to their small share in the total volume of investment products, this growth had hardly any significant effect on the overall trend.

Leverage products by product category

In the leverage products segment, there was a significant decline in the demand for **Warrants** in March. The outstanding volume was down 10.5 percent, or € 93 million. Nevertheless, more than half of the investment in leverage products fell into this category, at 54.5 percent.

There was an even greater decline in Knock-Out Products. The outstanding volume of **Knock-Out Warrants** fell by 20.3 percent, or € 168 million. This represented a share of 45.5 percent of the total volume for leverage products.

Investment products by underlying

Investment products with **equities as an underlying** continued to be in high demand among investors in March. Although open interest in these products was 1.8 percent, or € 904 million, lower than in February, they were still the most popular investment class, with a share of 52.4 percent in the total volume invested in investment certificates.

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 18 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, WestLB and WGZ BANK. 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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By contrast, investment products with **bonds as an underlying** gained 0.4 percent, or € 157 million, in comparison with February. This gave investment products with bonds as an underlying a share of 43.7 percent in the total volume.

The strongest relative growth was among investment products with **currencies and commodities as an underlying**. Their market volume rose by 2.0 percent, or € 53 million. Overall, the market share of this investment class was 2.8 percent.

Certificates with **hedge funds as an underlying** were down 0.8 percent, or € 8 million. With a share of 1.0 percent in the total volume, certificates with hedge funds as an underlying remain the smallest investment class among the investment products.

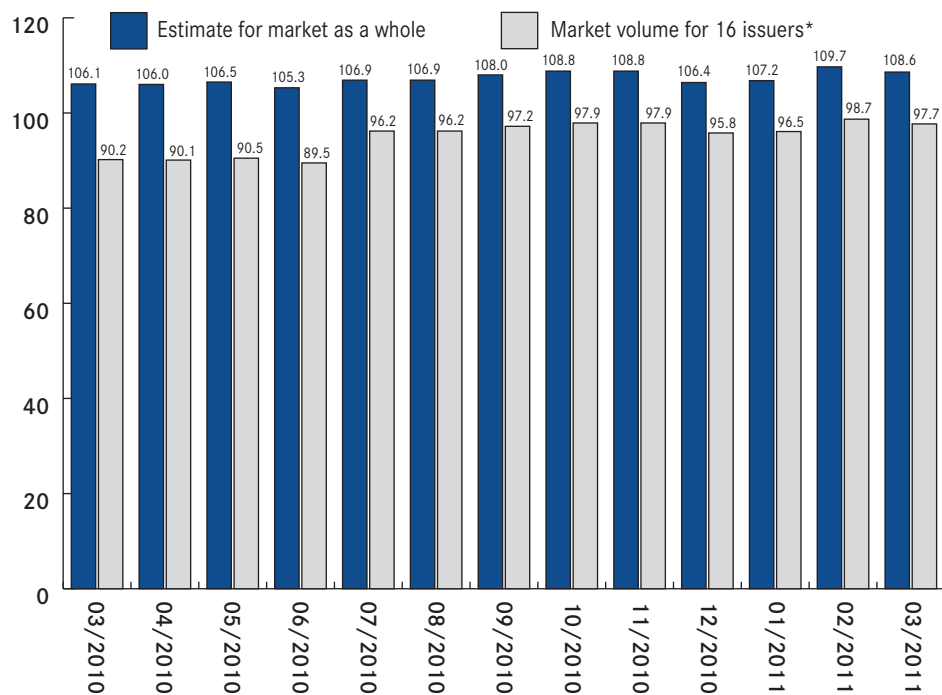
Leverage products by underlying

Despite losses of 12.8 percent, or € 163 million, securities with **equities as an underlying** remained the largest investment class among leverage products. Their market share amounted to 76.8 percent.

The market volume of leverage products with **currencies and commodities as an underlying** also fell. Open interest was down 23.6 percent, or € 97 million. A total of 21.7 percent was invested in securities with currencies and commodities as an underlying.

Open interest in leverage products with **bonds as an underlying** was down 3.6 percent, or € 834,000, in March. However, because their share in the total volume of leverage securities is only 1.6 percent, this had hardly any impact on the overall trend. ■

Market volume since March 2010



* 14 issuers up to June 2010

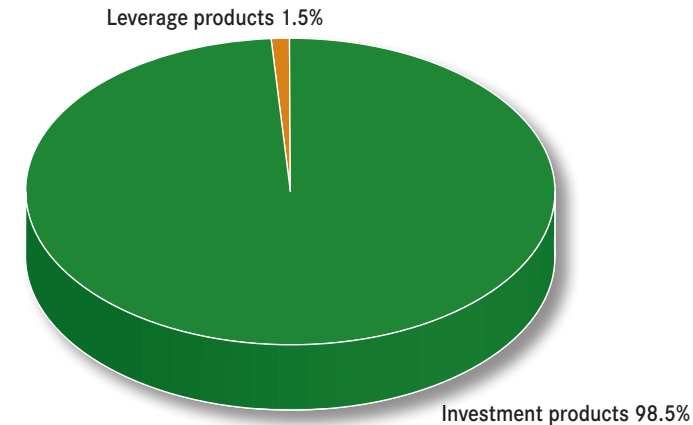
Product classes

Market volume as at 31 March 2011

	Market volume	Share
	€	%
Investment products	96,261,786	98.5%
Leverage products	1,447,540	1.5%
Total Derivatives	97,709,326	100.0%

Product classes

Market volume as at 31 March

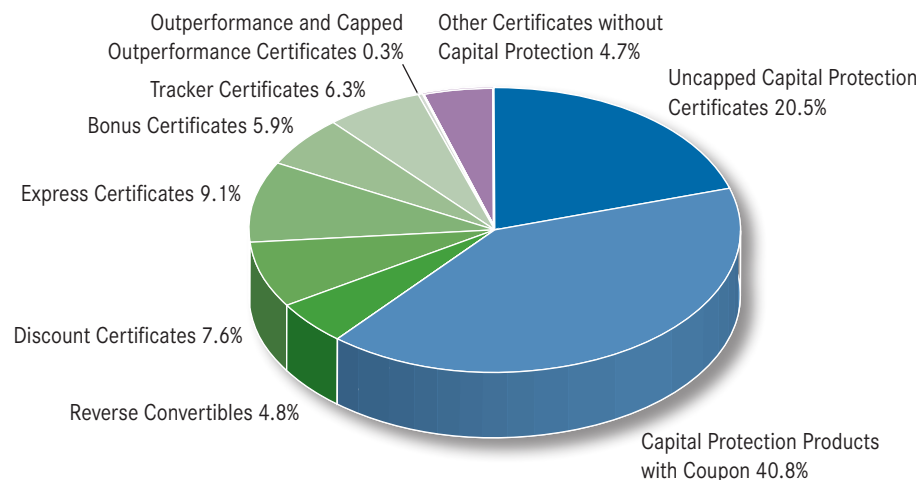


Market volume by product category as at 31 March 2011

Category	Market volume	Share
	T€	%
Uncapped Capital Protection Certificates	19,714,947	20.5%
Capital Protection Products with Coupon	39,236,092	40.8%
Reverse Convertibles	4,717,100	4.8%
Discount Certificates	7,321,997	7.6%
Express Certificates	8,772,326	9.1%
Bonus Certificates	5,684,143	5.9%
Tracker Certificates	6,062,880	6.3%
Outperformance and Capped Outperformance Certificates	248,082	0.3%
Other Certificates without Capital Protection	4,504,219	4.7%
Investment products total	96,261,786	98.5%
Warrants	789,464	54.5%
Knock-Out Warrants	658,076	45.5%
Leverage products total	1,447,540	1.5%
TOTAL	97,709,326	100.0%

Investment products by product category

Market volume as at 31 March 2011

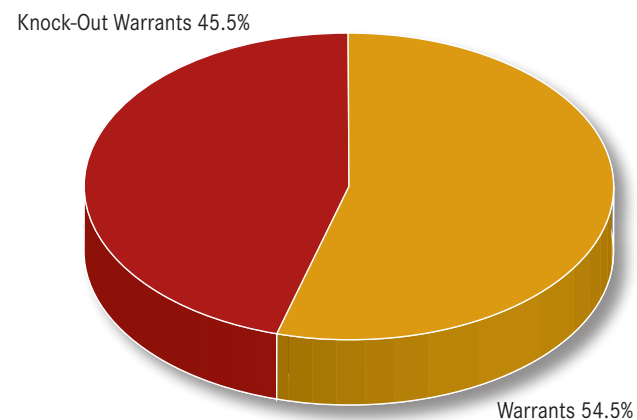


Change in market volume by product category as at 31 March 2011

Category	Market volume	Share
	T€	%
Uncapped Capital Protection Certificates	-404,069	-2.0%
Capital Protection Products with Coupon	197,572	0.5%
Reverse Convertibles	125,228	2.7%
Discount Certificates	100,948	1.4%
Express Certificates	-379,814	-4.2%
Bonus Certificates	-84,609	-1.5%
Tracker Certificates	-172,684	-2.8%
Outperformance and Capped Outperformance Certificates	9,140	3.8%
Other Certificates without Capital Protection	-93,350	-2.0%
Investment products total	-701,639	-0.7%
Warrants	-92,902	-10.5%
Knock-Out Warrants	-168,118	-20.3%
Leverage products total	-261,020	-15.3%
TOTAL	-962,659	-1.0%

Leverage products by product category

Market volume as at 31 March 2011



Market volume by underlying asset as at 31 March 2011

Underlying	Market volume		Market volume adjusted for price changes*		Number	
	T€	%	T€	%	#	%
Investment products						
Equities	50,485,863	52.4%	50,834,547	52.5%	241,083	97.9%
Bonds	42,088,296	43.7%	42,329,186	43.7%	1,886	0.8%
Currencies/Commodities	2,693,036	2.8%	2,676,082	2.8%	3,167	1.3%
Hedge Funds	994,592	1.0%	990,289	1.0%	56	0.0%
Investment products total	96,261,786	98.5%	96,830,105	98.4%	246,192	49.0%
Leverage products						
Equities	1,111,288	76.8%	1,291,375	80.6%	216,056	84.3%
Bonds	22,565	1.6%	20,057	1.3%	1,132	0.4%
Currencies/Commodities	313,687	21.7%	291,607	18.2%	39,024	15.2%
Hedge Funds	0	0.0%	0	0.0%	0	0.0%
Leverage products total	1,447,540	1.5%	1,603,038	1.6%	256,212	51.0%
TOTAL	97,709,326	100.0%	98,433,143	100.0%	502,404	100.0%

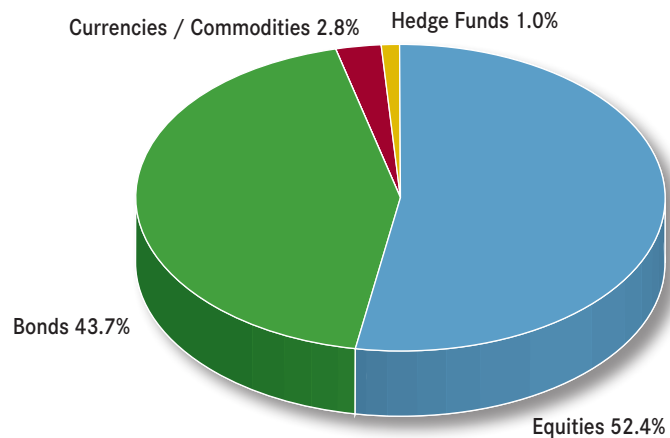
*Market volume adjusted for price changes = quantity outstanding as at 31 March 2011 x price as at 28 February 2011

Change in the market volume by underlying asset as at 31 March 2011

Underlying	Change compared with previous month		Change compared with previous month. adjusted for price changes		Price effect
	T€	%	T€	%	%
Investment products					
Equities	-903,522	-1.8%	-554,838	-1.1%	-0.7%
Bonds	156,931	0.4%	397,821	0.9%	-0.6%
Currencies/Commodities	53,164	2.0%	36,211	1.4%	0.6%
Hedge Funds	-8,212	-0.8%	-12,514	-1.2%	0.4%
Investment products total	-701,639	-0.7%	-133,321	-0.1%	-0.6%
Leverage products					
Equities	-163,222	-12.8%	16,865	1.3%	-14.1%
Bonds	-834	-3.6%	-3,342	-14.3%	10.7%
Currencies/Commodities	-96,964	-23.6%	-119,044	-29.0%	5.4%
Hedge Funds	0	0.0%	0	0.0%	0.0%
Leverage products total	-261,020	-15.3%	-105,522	-6.2%	-9.1%
TOTAL	-962,659	-1.0%	-238,843	-0.2%	-0.7%

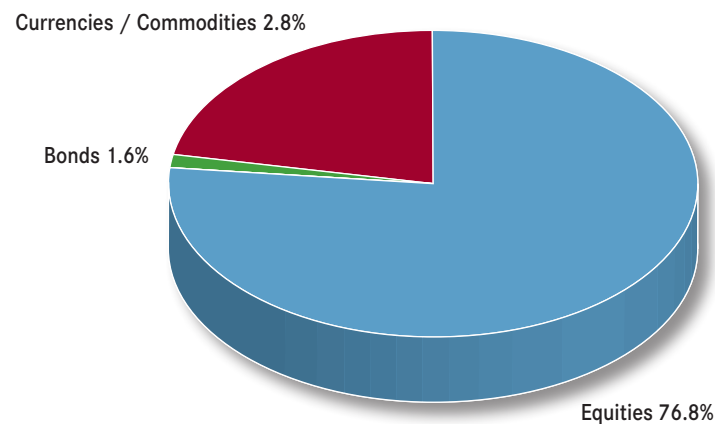
Investment products by underlying asset

Market volume as at 31 March 2011



Leverage products by underlying asset

Market volume as at 31 March 2011



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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