

COMMITTED TO  
FAIRNESS AND  
CLEAR RULES





# 1 – 0 to fair play

→ When most people hear the words ‘fair play’, the first thing they think of is sport, in which fair and sporting behaviour goes beyond merely playing by the rules. But fairness is also generally considered to be important in other areas of society, and rightly so. It applies equally to the relationship between business and consumers.

Personal finances are an especially sensitive area in this respect. Fairness is essential in our interactions, particularly in matters relating to investments or retirement provisions. But bank advisers and retail investors can only talk to each other on an equal footing if the experts do not have too great an advantage in terms of the information available to them. The investor must understand the main features of the relevant financial product and how it works. Effective investor protection hinges on how easy to understand and how transparent the products are.

This has been the guiding principle of the German Derivatives Association (Deutscher Derivate Verband, DDV) ever since it was established. As early as 2008, the DDV launched an extensive transparency initiative. It has created widely respected industry standards: the Derivatives League for product classification, standardised terminology, and especially the risk classification system for structured products.

Another milestone was the Fairness Code adopted at the end of 2013. The members of the DDV have set new standards with regard to product and cost transparency. No other sector is so open with its customers. The new guidelines for looking after investors’ capital in a responsible way that honours their trust are the basis for self-regulation by the members of the DDV. They send a powerful signal to the European regulatory authorities. To find out more about this, see page 6.

After this, a whole section is devoted to cost transparency (page 12). There has been much conjecture about the costs of structured products, but no reliable data until now. We wanted to know the precise figures, so we commissioned an academic study on the subject. The study by the European Derivatives Group (EDG), entitled ‘Issuer margins for structured products’, surprised many people and did away with some negative preconceptions. The costs for investors and the profits for issuers are much lower than assumed; the average expected issuer margin is only 0.36 percent per annum. The findings are encouraging all-round for investors: structured products are inexpensive securities that promise a pre-defined performance.

‘Fairness must play a central role in dealings between advisers and investors.’

The DDV is active not only in Germany, but also at the European level. With the other national associations and the European umbrella organisation EUSIPA, the DDV represents the interests of the sector, but also those of retail investors (page 14). Its aim is to achieve appropriate regulation that offers real added value for investors in the interests of fair play.

Berlin/Frankfurt am Main, March 2014

Dr Hartmut Knüppel  
CEO and Member of the Board of Directors



Dr Hartmut Knüppel



#### SHAPING OPINIONS

Political communication:  
the most important part of the  
Association's work

Page 8

The DDV engages in intensive dialogue with  
political decision makers in Berlin and Brussels.



#### AT THE HEART OF THE ACTION

Projects in 2013:  
transparency + information =  
investor protection

Page 18

The DDV's initiatives guide investors and  
inspire new confidence.



#### WORKING TOGETHER

German Derivatives Day:  
the challenging regulatory  
environment

Page 22

Issuers, politicians, journalists and academics  
discuss current financial issues.

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# Contents

## SHAPING OPINIONS

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A step ahead: the new Fairness Code	6
Political communication: the most important part of the Association's work	8
INFORUM: the key issues in 2013	10
Greater product clarity	11
Regulatory projects: greater cost transparency – better investor protection	12
The voice of the structured products sector in Europe: EUSIPA, the European umbrella association	14

## AT THE HEART OF THE ACTION

---

Five years of the DDV: 'A lot achieved, much still to be done'	16
Projects in 2013: transparency + information = investor protection	18

## WORKING TOGETHER

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German Derivatives Day: the challenging regulatory environment	22
Structured Products Brunch: hard facts in a relaxed atmosphere	24
Fully informed: the DDV Compass 2013	25
Structured Products Breakfast: inspiration after a good night's sleep	26
DDV Business Journalism Award: the winning team	27

## MEDIA

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Public relations at the DDV: more of a marathon than a sprint	28
---	----

## MARKET

---

The structured products market in 2013: facts and figures	30
---	----

## MANAGEMENT

---

The DDV at work: organisation, committees and executives	36
Members	42
Sponsoring members	43
Publishing information	43

# A step ahead: the new Fairness Code

The DDV has not only set new standards in product and cost transparency for the structured products sector; in doing so it has also set the benchmark for other financial products. The new guidelines for looking after investors' capital in a responsible way that honours their trust are the basis for strict self-regulation by the members of the DDV. They send a powerful signal to the European regulatory authorities.

→ 'Fairness' is one of the few English words with no German equivalent. Yet all German speakers understand what it means. As a guiding principle, it should apply not only to personal life but also to professional life.

National and European laws cannot regulate everything, and sometimes it is helpful to put down in writing certain principles of fair conduct. It was for this reason that, in 2008, the banks in the German structured products sector created a code that set out guidelines for dealing with investors' capital in a responsible manner that honours their trust.

A code of this kind has to be revised periodically and added to if necessary. In 2013, the 17 members of the DDV discussed in-depth their standards for issuing, structuring, distributing and marketing structured securities, and revised several aspects. Finally, in the middle of October, the new Fairness Code was adopted unanimously.

The structured products issuers consciously chose to call their broadened self-regulatory initiative the Fairness Code. The Code underlines their main objective – fairness in dealing with customers. In particular this includes transparency, with a central role now being played by cost transparency in addition to product transparency.

## Knowing the costs

The expected return is undoubtedly one of the main criteria by which investors choose any financial product, but by displaying the costs we can offer investors an additional guide. The members of the DDV have therefore agreed to include the issuer estimated value (IEV) in the product information sheets relating to their investment products. In future the IEV is to be shown either as a percentage or in the currency of the relevant investment product.

The difference between the issue price of the product plus a front-end load fee, where appropriate, and the issuer estimated value includes the expected issuer margin and, where applicable, a sales commission. The expected issuer margin covers costs such as structuring, market making (costs of continuous pricing on the exchange and over the counter) and settlement of the relevant structured product, as well as the expected profit for the issuer.

By disclosing the IEV, the members of the DDV are creating a high degree of cost transparency for investors. In this respect, the German structured products sector is ahead of all other forms of securities and financial products both on a national and on a European level. Structured products are now well ahead in matters of cost transparency. No other sector is so open with its customers.

## Assessing the potential returns

In the new Fairness Code DDV members have also agreed that, in future, when offering investment products with full capital protection and a minimum and maximum interest yield, they will indicate in the product information sheet the probability of occurrence of these yields as at the date on which the product conditions were set out. This is intended to help investors estimate the potential returns offered by the relevant investment product.

No other providers of financial products with capital protection have provided this information up to now. The information would be an important reference point for security-oriented retail investors, as it would enable them to compare the various financial products on a fair basis.

‘The structured products sector now leads the field again in terms of product and cost transparency’

Dr Hartmut Knüppel



## The benefits

But the Fairness Code contains many other provisions that benefit investors directly. The members of the DDV expressly undertake to design their structured securities fairly, and they demonstrate this by a number of specific examples. For instance, they ensure that in respect of the relevant payout profile of the structured financial instrument and the market expectations connected with it, there is a balanced relationship between the risk and the potential return.

Additionally, the highest possible return for each structured financial instrument must exceed the return from a German government bond (or ‘Bund’) with a comparable term at the time the product conditions are established. This means all financial products that do not meet this benchmark will disappear from the market, because they are of no value to investors and are therefore redundant.

Structured product issuers have also undertaken not to promote any positive product features that only occur in unlikely circumstances, and to use clear and easily understood terminology in their product descriptions. This is intended to avoid the potential for investment decisions to be based on false incentives.

## Adding value

Of course, in their new Fairness Code, the members of the DDV also took into account the regulatory measures to be expected at the European level.

Against this background, the DDV provides the Fairness Code and the notes in English and French as well as in German.

The Fairness Code sends a strong signal from the structured products sector and will hopefully pave the way for sensible regulation that will create real added value for retail investors.

## Overview of the Fairness Code

- Disclosure of IEV from May 2014 in product information sheets for investment products
- For investment products with full capital protection and a maximum and a minimum interest yield, disclosure in the product information sheet of the probability of occurrence of these interest yields
- Commitment to design structured securities fairly
  - Balanced relationship between potential returns and risk in respect of payout profile and market expectations
  - Use of clear and unambiguous product descriptions
- Undertaking not to issue certain structured securities
  - Undertaking not to issue a structured financial instrument if the highest possible return on the product at the time the product conditions are set out is not greater than the return on a German government bond with a comparable term
  - Undertaking not to issue structured securities for public distribution which have individual investment funds as underlying assets, if the investment funds cannot be approved for sale in Germany, or if their current value is not published, or is only published infrequently (e.g. private equity funds), or if the repurchase of these products is subject to major restrictions (e.g. closed-end funds)

# Political communication: the most important part of the Association's work

As a political interest group, the DDV campaigns on behalf of the structured products sector on a national level and increasingly also on a European level. Its aim is to achieve an appropriate and fair regulatory framework for structured products and warrants. Investor protection and transparency are always central to the discussions in Berlin and Brussels.

→ The call for more regulation of the financial sector did not diminish in 2013. Among the general public there was a general impression that little had been achieved. But this impression is misleading. The German federal government alone has enacted more than 20 laws in response to the financial crisis, and in Brussels there are more than 100 dossiers dealing with subjects relating to the financial market and banking.

No one denies that regulation is necessary. Every market economy needs rules, along with compliance monitoring. It is also true that there were areas of the financial sector that were not properly regulated. Although many individual measures are appropriate – or at least reasonable – the problem is that many of them are not coordinated, so they give rise to a lot of extra work and unnecessary costs for the banks.

## The key issues in 2013

The focus of the association's political work:

### Product information sheets

- Glossary to make product information sheets easier to understand, in line with the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG)
- Circular from German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) interpreting the legal requirements with regard to drawing up product information sheets

### Prospectus law

- BaFin note on the interpretation of what constitutes an offer of securities to the public under the German Securities Trading Act
- Final report from the European Securities and Markets Authority (ESMA) on regulatory technical standards in relation to prospectus supplements

## Regulation as a driver of costs

Admittedly, political decision makers are under strong public pressure to expedite the comprehensive regulation of the financial sector. However, we still need to take a reasonable, balanced approach. There is a danger that well-meant but badly-designed regulation could result in smaller issuers of structured products in particular exiting the market under the pressure of regulatory restrictions and the associated costs.

The future of the structured products industry is determined less and less by the various business models and the efficiency of product design. Instead, what will determine whether structured securities continue to be economically attractive to issuers is regulation, particularly at the European level.

### MiFID 2/MiFIR

- Proposal for the Markets in Financial Instruments Directive (MiFID 2)
- Proposal for the Markets in Financial Instruments Regulation (MiFIR)

### Packaged retail investment products (PRIPs)

- Proposal for a regulation on key information documents for PRIPs

### Algorithmic trading

- German High-frequency Trading Act (Hochfrequenzhandelsgesetz, HFG)
- BaFin circular on algorithmic trading

### Taxes

- Introduction of a financial transaction tax
- Tax treatment of the expiry of warrants and structured products





Almost all regulatory projects are ultimately about investor protection and transparency. Many politicians and banks agree on these objectives. However, there are differences as far as the practical implementation is concerned.

### Product transparency versus product bans

If an industry wants to make inappropriate laws and regulations redundant, it must regulate itself. This self-regulation must be as forceful as it is persuasive. The issuers of structured products have done their homework on this matter and set many industry standards: product classification in the form of the Derivatives League; the definition of standard terminology; sample product information sheets for all

#### Other topics

- DDV approved as a member of the International Organisation of Securities Commissions (IOSCO)
- IOSCO's final report on regulation of structured products for retail investors
- Proposal for a regulation on indices used as benchmarks in financial instruments and financial contracts
- Publication of the Joint Position of the European Supervisory Authorities on 'Manufacturers' Product Oversight & Governance Processes' by the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA)
- Report of the German Federal States' Committee for Consumer Protection (Länderarbeitsgemeinschaft Verbraucherschutz) on the protection of consumers against unsuitable financial products
- German Capital Investment Act (Kapitalanlagegesetzbuch, KAGB)

types of structured products; informative risk indicators for almost all structured products; structured product tests to make investors' choice of product easier; structured product indices, which enable comparison of the performance of structured products with that of other financial products; and finally the new Fairness Code, which demands the greatest possible product and cost transparency.

Against this background, product bans, which are currently being discussed in other EU countries and in working groups of the European Securities and Markets Authority (ESMA), are not a sensible alternative.

### Advised and self-directed investors

To avoid any misunderstandings, we would like to make it clear that there is one point on which we agree with political decision makers and investor protection agencies. Investors who – for whatever reason – are not well informed should not be sold any financial product that does not meet their expectations in terms of their risk profile or the potential return. But most investors know very well what they are doing.

On this subject, let us clear up a misunderstanding with regard to the sale of structured products.

High-risk structured products such as warrants are not sold under investment advice from banks. A very clear distinction is made between investors who tend to buy low-risk financial products under investment advice, and self-directed investors – those who make their own investment decisions. →

Informed, self-directed investors are only sold high-risk leverage products at their specific request, and have to prove they have the necessary knowledge and experience to do so. Why should banks have to withhold these products, for which there is active demand, from their well-informed customers? To be consistent, anyone demanding that banks restrict their structured product offering in this manner should also be prepared to ban all high-risk financial products, including equities or equity funds.

### Protect rather than patronise investors

This would be typical of a socialist planned economy in which the government believes it knows what is best for the individual. This approach is not reconcilable with the upholding of liberty and the rule of law in a market economy such as Germany. We rightly assume – or at least we have done so until now – that the consumer is responsible for and capable of making his or her own decisions, including in financial matters. Investor protection is sensible and necessary, but we must not patronise investors who are prepared to take greater risks for the opportunity of higher returns.

## INFORUM: the key issues in 2013

The DDV regularly publishes a political newsletter entitled INFORUM, in which it deals with current issues relating to the structured products sector and states its position. This information service is aimed primarily at political decision makers in Berlin and Brussels.



→ Standardisation    → Investor protection    → Fairness Code

The Newsletter provides another opportunity for the Association to take part in political discussions and the shaping of public opinion. In it, the DDV publishes important facts and figures on the structured products sector, as well as interviews with experts. In addition, every issue focuses on a particular political topic.

In 2013 the newsletter focused on issues such as standardisation in the structured products sector, effective measures for the protection of investors and the introduction of the DDV's new Fairness Code. But the newsletter also has the latest news from the Association and brief,

easy-to-understand information on the different product categories. The Pro and Contra section is particularly popular, where members of the German Bundestag explain their party's position on questions such as 'Has the German government's regulation of the financial market been successful during this legislative period?' and 'Should a bank's licence be withdrawn if it helps tax evaders?'

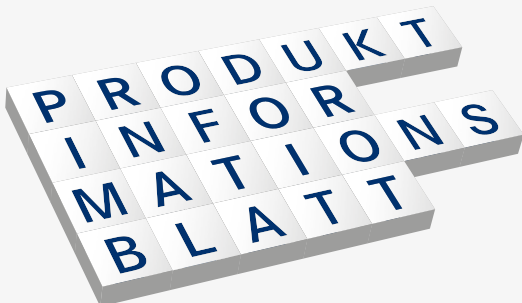
INFORUM has developed into an important part of political communication. This information service presents complicated issues clearly and enables them to be conveyed directly to political decision makers.

## Greater product clarity

In Germany, product information sheets have been available for financial products since 2011. Like the patient information leaflets that come with medicines, these give concise facts about securities and must be provided by banks to customers obtaining investment advice. The information sheets are limited to three pages, and are also offered online by many issuers.

Product information sheets contribute to greater transparency, comprehensibility and comparability of investment products. They thus provide real added value for investors. They contain a brief, easy-to-understand description of the features of the relevant financial instrument, for instance what type of product it is, how it works, the risks involved, the potential return and its cost.

Initially, there were differences in the ways the various banks implemented the legal requirements for product information sheets – some of which were very abstract and required interpretation. For this reason a working group was set up to develop uniform definitions and terminology. For more than a year, the DDV and other banking associations worked closely with investor and consumer protection organisations and the German Federal Ministry for Food, Agriculture and Consumer Protection on a joint glossary of technical terms, actively supported by the German Federal Ministry for Finance and the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).



To test how easily the proposed explanations could be understood, an independent institute then conducted quality checks with a test group. As a result, 66 standardised explanations were developed and 61 terms were found to need future explanation by issuers. The test also filtered out 131 terms that were generally no longer to be used by issuers. The glossary is an important contribution to standardisation and to making product information sheets easier to understand. It became effective on 1 December 2013.

In addition, the scenario analyses in the revised product information sheets now show not only the gross return but also the net return to the investor at the end of the term. The sample calculations based on positive, neutral and negative outcomes now also include the costs typically incurred by the investor through buying and holding a financial instrument. The issuers have agreed on costs that are normal in practice, since the individual costs differ from issuer to issuer.

The presentation of the risks of structured products has also been refined. The product information sheet must list the significant risks ahead of the less significant ones associated with each type of structured product. Issuers must also explain in the product information sheet precisely what effect a change in certain factors such as volatility, interest rates or dividends will have on the value of the product.

The new product information sheets for structured products help investors to understand the product even better. They explain more simply and comprehensively how the product works, the risks and potential returns, and the costs. This involved a considerable amount of work on the part of the issuers of structured products, but it was worth it, because this kind of clarity with regard to products makes a significant contribution to investor protection.

# Regulatory projects: greater cost transparency, better protection of investors

The primary aim of national, European and international regulatory authorities with regard to financial products for retail investors is transparency. Cost transparency is becoming increasingly important as a focus for regulatory projects. Structured products are ahead of other financial products in this respect. There is no other financial product for which costs are as openly disclosed.

→ For a long time, the regulation of the financial markets has no longer only been the affair of national political decision makers and supervisory authorities. The recommendations of organisations such as the International Organisation of Securities Commissions (IOSCO) also influence laws and market structures at both the national and European level. With regard to structured securities and cost transparency, IOSCO suggested a fair value assessment at the end of 2013. For the German structured products sector, this is

already in place on a voluntary basis, with the members of the DDV adopting a new voluntary commitment for the structured products sector in the autumn.

In this Fairness Code, they have undertaken to disclose the issuer estimated value (IEV) of the various structured products in the relevant product information sheets. This means that, from the spring of 2014, investors in Germany will have a good overview of the costs included in the price of a structured product.

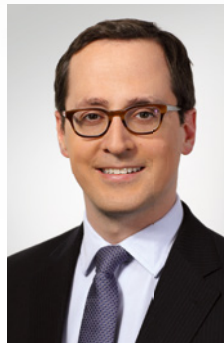
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## Börsen-Zeitung

### 'Regulators urge transparency with regard to costs'

Study shows that issuer margins for structured products are surprisingly low – discrepancy with other analyses

WM Gruppe  
16 November 2013



**Mr Vollmuth, why did the DDV publish a major study in which the EDG investigated the issuer margins for structured products?**

There have been repeated accusations that structured products include many hidden costs and that issuers could be raking in huge profits as a result. But this representative study by the EDG puts this straight by setting out the facts. Issuer margins on structured products are much lower than many people assume.

**How high is the average margin found by the study?**

First of all, it's important to mention that the expected issuer margin is an initial cost item, which includes not only the issuer's expected profit, but also all the issuer's expenses, such as personnel, admission to exchange trading and trading systems. In a random sample of 1,529 structured products by the EDG, the average issuer margin was 0.46 per annum. In a representative sample based on actual market volumes, the margin was as low as 0.36 percent per annum.

**Which products are particularly expensive for investors?**

Despite the common criticism of structured products, there is no product group that stands out as being particularly expensive for investors. Capital Protection Products with Coupon, which are very commonly assumed to have a high issuer margin, have a margin of 0.73 percent per annum – significantly lower than one percent per annum.

**How do you explain the big discrepancy between this study and the ESMA study on the costs of structured products in July 2013, which found average margins of 4.6 percent?**

I would question the sample used in the ESMA study and thus its findings. Only 76 products were analysed to cover the entire European structured products market. In its study, the EDG analysed a total of 3,179 products for the German market alone. On top of this, the products included in the ESMA study do not truly reflect the respective market share and characteristics of the national structured products markets. Incidentally, the striking figure of 4.6 percent put forward by ESMA relates to a period of three years. The annual issuer margin, at 1.5 percent, looks much less impressive.

‘An improvement in product and cost transparency is an important contribution to investor protection, and also helps good financial products to be differentiated from bad ones.’

Christian Vollmuth



This voluntary transparency with regard to costs is not only in line with the recommendations of IOSCO, but should in practice also meet the stricter standards of the revised version of the European Markets in Financial Instruments Directive (MiFID) and further regulatory approaches of the European Securities and Markets Authority, ESMA. With MiFID 2, the aim of the European legislature is to make further improvements to investor protection with regard to financial products for retail investors. This includes better

comparability of the costs of financial products. Structured products certainly don't have to shy away from cost comparisons with other financial products.

A study by the European Derivatives Group (EDG) on behalf of the DDV shows that issuer margins on structured products are significantly lower than many people assume. Unlike many other financial investments, structured products offer investors very good value for money.

**Sales commissions on financial products have had to be disclosed for a long time now, so there is transparency for retail investors in this respect. Are efforts being made to disclose the issuer margin on structured products?**

Transparency with regard to costs plays a very central role in the Fairness Code, the new voluntary commitment by issuers of structured products. From spring 2014, issuers will disclose the issuer estimated value (IEV) in the information sheets for their investment products. The IEV is comparable with the price the EDG used to determine the issuer margin. So, in future, the expected issuer margin can easily be established on the basis of the product information sheets. To work it out, you have to subtract from the issue price of the structured product the IEV and, where applicable, the selling costs.

**How do you respond to critics such as Daniel Sandmeier, President of the Swiss Structured Products Association (SVSP), who say there is insufficient transparency with regard to the issuer margin at the time of issue or during the term of the product? They claim it is only known at the end of the term.**

Mr Sandmeier is right. At the time of the sale of the issue, the issuer margin is uncertain. Owing to market risks, it can only be estimated. An airline that sells tickets today – in the middle

of November 2013 – for flights in the summer of 2014 does not know at present either the future price of aviation fuel or what the terms of the next wage agreement with its employees will be. Nevertheless, it charges a price for a ticket, based on certain assumptions, that takes into account the expected costs and profit. The same applies to the calculation of the margin. Except that, with structured products, some of which have a term of several years, there is even more uncertainty. No issuer can estimate today what costs it will face from the impending financial transaction tax.

**Do you believe that the disclosure of issuer margins can restore investors' battered confidence in structured products?**

The battering to investor confidence resulting from the financial crisis affected not only structured products, but financial products of all asset classes. But in buying a financial product, what is decisive for investors is if they have had a good experience with a product and are satisfied with the returns. An improvement in product and cost transparency is an important contribution to investor protection, and also helps good financial products to be differentiated from bad ones. For this reason, greater transparency always contributes to an increase in investor confidence.

# The voice of the structured products sector in Europe: **EUSIPA**, the European umbrella organisation

Since 2009, EUSIPA has been representing the interests of the European structured products sector and campaigning for an appropriate and fair regulatory framework for structured securities. With its member associations, it sets standards for the industry throughout Europe. These range from clear product classification and standardisation of technical terms to wide-ranging self-regulation in the form of an industry code.



→ Nobody involved in financial regulation in Brussels in 2013 could complain that they had too little to do. The numerous European legislative procedures on financial market regulation are a real challenge – and not only for the EU Commission, the EU Council, the EU Parliament and the European regulatory authorities. Most of all, they involved considerable extra work for the member banks of the EUSIPA associations. For this reason EUSIPA is campaigning for sensible, balanced regulation that really helps investors but does not place an unnecessary burden on issuers.

## Growing pressure for regulation

The upcoming elections to the EU Parliament spurred on many political decision makers to launch legislative initiatives. The Parliament's last plenary session before the European elections takes place in the middle of April 2014. All legislative procedures not concluded by then will be delayed by several months, if not years.

Largely owing to this time pressure, many important regulatory measures affecting the structured products sector either directly or indirectly were adopted in 2013. They include the establishment of the European supervisory authorities (EBA, EIOPA and ESMA) and the revised Markets in Financial Instruments Directive, or MiFID 2. In future, the

main issue will be the practical application of the regulatory package at the national level. As regards specific interpretations of the Directive, an important role will be played by constructive dialogue between EUSIPA and the European Securities and Markets Association, ESMA, as well as the national supervisory authorities.

There was however also disagreement between member states and the EU with respect to many projects relevant to the structured products industry. An example of this was the regulation on key information documents for retail investment products, or PRIIPs. The aim is for investors all over Europe to have access to standardised, important consumer information on all financial products, summed up in just a few pages per product. EUSIPA was one of the few European associations to state its position clearly at an early stage in the process, offering constructive criticism and suggestions for improvements.

The draft proposal on regulation of indices used as benchmarks in financial products will also bring with it the risk that a large additional burden will be placed on the operational activities of the issuers. EUSIPA is also campaigning for appropriate regulation in this area. The same applies for the EU financial transaction tax proposed separately by some member states.

## Strong membership base

Successful association work is based on a strong and representative membership base. In 2014, the newly founded Netherlands Structured Investment Products Association (NEDSIPA) will join EUSIPA representing the Netherlands. NEDSIPA will be the seventh member of EUSIPA after the industry associations from Germany, Italy, France, Austria, Sweden



and Switzerland. The UK Structured Products Association, UKSPA, has been an associate member since January 2013.

EUSIPA has also provided support on many important transparency products to the Belgian Structured Investment Products Association, BELSIPA, which was established in January 2013. One of the projects involved agreeing on a standard risk classification system for structured financial products with the Belgian supervisory authority.



Thomas Wulf

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Thomas Wulf

(February 2014)



# Five years of the DDV: ‘A lot achieved, much still to be done’

On 14 February 2008, the day the DDV was established, the financial world seemed to be in reasonably good shape. Only a few months later, the Lehman Brothers bankruptcy triggered a global crisis which still continues to have an impact. Dr Hartmut Knüppel, who has been the CEO and a member of the Board of Directors at the DDV since it was founded, recalls: ‘Our Association was thrown in at the deep end, in the middle of the financial crisis. We had to go from 0 to 100 in a very short

space of time.’ The DDV began with a comprehensive transparency initiative and then introduced the Derivatives League for product classification. Later it tackled the standardisation of technical terms and the sample information sheets. Then, in 2013, came the Fairness Code. All of these were important milestones for increased transparency and investor protection. Dr Hartmut Knüppel’s initial conclusion is: ‘We have achieved a lot, but there remains a lot more to do – particularly at the European level.’



Parliamentary State Secretary Steffen Kampeter and journalist Angela Wefers



Former Minister-President of the German federal state of Hesse, Roland Koch



Pension expert Professor Dr Dr h. c. Bert Rürup



Tax law expert Professor Dr Paul Kirchhof



DDV CEO Dr Hartmut Knüppel, with former German Foreign Minister Hans-Dietrich Genscher



The DDV Business Journalism Award trophy



2013 winners of the DDV Business Journalism Award



Business journalist Friedhelm Busch and DDV Managing Director Lars Brandau





The establishment of the DDV, 14 February 2008



The DDV Board of Directors (left to right) Klaus Oppermann, Dr Hartmut Knüppel, Jan Krüger, Grégoire Toublanc, Stefan Armbruster

German Derivatives Day: traditional industry get-together



Media expert Professor Dr Norbert Bolz and journalist Henning Krumrey



VfB-Stuttgart Board Representative for Sport, Fredi Bobic, and DDV Managing Director Lars Brandau



Football trainer Felix Magath



Blogger Sascha Lobo



Dr Thomas Schäfer, Minister for Finance of the German federal state of Hesse



Members of the DDV team (left to right) Dorothea Smolka, Susanne Bock, Barbara Wiesneth, Berthold Knetsch



DDV Managing Director Christian Vollmuth and Laurent Degabriel of the European Securities and Markets Association (ESMA)



Tax law expert Professor Dr Paul Kirchhof and members of the DDV's Board of Directors, Stefan Armbruster and Klaus Oppermann



Projects in 2013:  
**transparency**  
**+ information**  
**= investor protection**

**NEW PUBLICATIONS AND PROJECTS  
IN 2013:**

- Two new additions to the Derivatives League
- DDV Radio for journalists and investors
- Facts and Figures:  
‘Are structured products too complex?’
- The Factbook in its third annual issue
- ‘Structured Products from A to Z’

In the five years since it was founded, the DDV has developed a substantial range of publications, launched online media and put on events to inform and educate retail investors. In 2013, its range was updated and expanded.



**Facts and Figures: 'Are structured products too complex?'**

A little knowledge is a dangerous thing, and only facts can help to counter prejudices formed through a lack of information. This is why the DDV publishes its Facts and Figures series of newsletters. 2013 saw the publication of the fifth issue, which looked into the often-expressed criticism that structured products are too complex.

The DDV states its position clearly: yes, structured products are complex, but then, so are home loan savings contracts, life insurance policies and practically every other form of investment. However, complexity in itself is not a problem, especially if it reduces the risks of an investment and leads to greater security. Complexity should not be equated with lack of transparency.

Structured products are notably transparent: investors can always find out the current value of their structured product and easily identify what conditions are attached to the return in the product information sheet. The risks are also clearly stated. Each structured product has a corresponding risk measure, the value at risk (or VaR). Investors can sell the structured product again at any time, on any exchange day, without any problems. Unfortunately, there are many common financial products to which this does not apply.

**DDV Radio for journalists and investors**

Since February 2013, the DDV has provided a radio service for journalists and investors in the 'Audio-Center' section of its German-language website. There are interviews with the German radio station Börsenradio (Stock Market Radio) and individual contributions, as well as recordings of experts speaking on topics related to structured products and warrants. Anyone interested can listen to these items online or download them.

As Lars Brandau, Managing Director at the DDV, commented, 'Radio is widely underrated as a source of information. We want to disseminate economic information and easily understandable facts about financial products more broadly, and radio is a useful medium for this. Our intention is to help generally improve people's knowledge of finance'.

- All audio contributions can be found in the 'Audio-Center' section of the German-language DDV website under the 'Presse' (Media) tab.



## Two new additions to the Derivatives League

The DDV's Derivatives League is an easy-to-understand product classification agreed on by the members of the Association. In it, the basic types of structured products are compared to the positions of players on a football team. Defensive or offensive positions are allocated according to the risk/return profiles of the products. This allows simple comparison of the main product features, their advantages and disadvantages, and the risks and potential returns involved.

In 2013, the DDV reorganised and added to the Derivatives League. It now comprises twelve categories of structured products. The Credit Linked Notes category has been added. Also, Outperformance Certificates and Capped Out-performance Certificates were combined within a class, and the Constant Leverage Certificates category was added to the leverage products. Here is a brief description of the two new types of player:

- **Credit Linked Notes** enable the investor to invest in a borrower's credit rating. As long as the borrower does not experience a 'credit event', as it is called, the investor will receive the agreed interest payments and, when the note matures, the nominal value. However, if a credit event does occur, interest payments cease and the note is repaid early. In this case, the amount repaid may be significantly below the nominal value.
  - **Constant Leverage Certificates** provide leveraged exposure to both rising (long) and falling (short) prices in an underlying. They have no fixed term and are based on a strategy index that reflects the percentage daily change in the underlying using a constant factor. The size of the factor determines the amount by which the strategy index leverages the daily price change in the underlying.
- The latest product classification is available on the DDV website under the 'Knowing the facts' tab.



### The Factbook in its third annual issue

Numbers orientate us. They tell us what is what, especially in the world of money. This is what led the DDV to compile its Factbook comprising all important facts and figures of the structured products sector. The third annual issue was published in 2013, and is now also available in English for the first time. Thanks to the positive response this compact book has received, not only from investors, but particularly from journalists and political decision makers, it is well on its way to becoming a standard work of reference for the structured products sector.

All the important information on the market as a whole and on individual product categories has been updated and can be found at a glance in this clearly presented book. This publication is the DDV's latest contribution to increased market transparency and guidance for retail investors.

### Structured Products from A to Z

In 2013, the DDV put together a glossary for people who have an appetite for detail: Structured Products from A to Z contains the most important key words and technical terms likely to be encountered by an investor interested in the stock market in general and in structured products in particular. The glossary also includes many English words that are now commonplace throughout the financial world. From 'accrued interest' to 'zero-coupon bond', the glossary explains terms that will be familiar to many people, but also more technical ones that may be foreign to even the most experienced of investors.

Knowledge is an important asset, especially in the financial world. To spread this knowledge as widely as possible, we have made the glossary available online.

→ You can find Structured Products from A to Z under the 'Publications' tab on the English-language DDV website.

# German Derivatives Day: the challenging regulatory environment



Current financial market issues and regulatory plans formed the main focus of the German Derivatives Day. It has become a tradition for issuers, politicians, journalists and academics to meet at this event every year to keep themselves informed and discuss the issues affecting the structured products sector.

→ More than 250 guests attended this event in Frankfurt am Main on 16 September 2013. This time the main focus of the programme was on regulation, where decisions are increasingly being made at the European level. The DDV invited high-ranking officials from the European Commission and the European Securities and Markets Association (ESMA) to speak at the event. The German Derivatives Day was however not only focussed on talks from experts; as usual, dialogue with political decision makers constituted an important part of the event.

In his opening address, entitled 'DDV transparency initiative 2.0', Dr Hartmut Knüppel, CEO and member of the Board of Directors at the DDV, introduced the new Fairness Code. Issuers of structured products have taken the lead in the financial sector with this strict self-regulatory initiative. The DDV's CEO also assessed upcoming regulatory projects, which now encompass nearly all areas of finance, in the

light of the experience gained from the financial crisis. He commented: 'The political decision makers in Germany and Europe as a whole have tightened several regulatory screws, by several turns, some of them at the same time.' He stressed that, on their own, most of these measures were indeed sensible from the DDV's point of view. However, what he found problematic was the lack of harmonisation between the various European directives and regulations and the national legislative initiatives.

## Regulation: is the corset too tightly laced?

In view of the huge amount of work involved for the banks, according to Dr Hartmut Knüppel, it's evident that the costs are going to be high. But issuers of structured products had an even greater concern: that the corset placed on the structured products sector for the sake of political appearances



The speakers' opinions were also sought by journalists. Dr Tilman Lüder of the European Commission answers a journalist's questions.



The subject of regulation occasionally provoked lively discussions. On the point of the financial transaction tax, there was a particularly marked difference of opinion. However, there was still plenty of space for the personal exchange of information and views.

could inadvertently be laced so tightly that issuers will not have room to breathe and might abandon their structured products business altogether.

Following this, two leading political decision makers reported on the current status of the most significant European plans for the regulation of securities sold to retail investors. In his talk entitled 'ESMA and structured products', Laurent Degabriel, Head of the Investment and Reporting Division at ESMA, told the audience what measures ESMA is planning for the structured products sector. Then Dr Tilman Lüder from the European Commission approached the question of whether, and to what extent, the PRIPs initiative can establish a single European market for structured products.

Coming less than a week before the German parliamentary elections, the insights of renowned pollster Klaus-Peter Schöppner of TNS Emnid on the question 'What voters

really vote for - the ten real reasons for the outcome of the vote on 22 September' were highly topical. In the afternoon, all attention focused on the financial transaction tax. Manfred Bergmann, Director at the European Commission, reported on the current situation and the next steps to be taken, while Dr Christian Kaeser, Global Head of Tax at Siemens, outlined the negative effects of a financial transaction tax on the real economy. The day concluded with a lively panel discussion, chaired this year again by Henning Krumrey, who runs the Berlin office of the business magazine WirtschaftsWoche.





## Structured Products Brunch: hard facts in a relaxed atmosphere

With two events in 2013, the DDV's recently launched gathering for business and financial journalists is becoming established in Frankfurt's financial world. The recipe for success: experts provide background information on a highly topical issue, followed by an exchange of ideas in an informal setting.

### A complicated matter

The first Structured Products Brunch in July was devoted to the controversial financial transaction tax. Tax law specialist Rolfjosef Hamacher reported on the current situation and the initial experiences of France and Italy. Rolfjosef Hamacher warned: 'The very same negative consequences that we fear are already taking place in those countries' capital markets.' Hartmut Knüppel then drew policy conclusions and particularly pointed out the constitutional concerns: 'The risk of infringing EU law is hanging over the whole issue of the financial transaction tax like the sword of Damocles.' The following panel discussion made it clear that the road ahead will be long and hard if political decision makers are to design the tax appropriately while avoiding serious collateral damage for German retail investors and the real economy.

From the impacts of the financial transaction tax to the level of the issuer margin on structured products, the journalists engaged in intensive discussions on the subjects of the experts' presentations.

### More reasonable than people thought

The second Structured Products Brunch, in November 2013, was dedicated to a quite different but equally complex subject – the cost components of structured investment products. After Hartmut Knüppel, CEO and member of the Management Board of the DDV, had outlined the central aspect of cost transparency in the new Fairness Code, Professor Lutz Johanning, Chair of Empirical Capital Market Research at WHU – Otto Beisheim School of Management, presented the findings of a representative study entitled 'Issuer margins on structured products'. What surely surprised many people was the finding that the issuer margin on structured products is often much smaller than generally assumed, with the average issuer margin amounting to no more than 0.36 percent per annum. To clear up a potential misunderstanding with regard to the issuer margin, Christian Vollmuth, Managing Director at the DDV, explained: 'The expected issuer margin is an initial cost item that also includes all the issuer's expenses, including personnel, materials and trading costs. So it is not at all the same thing as the issuer's profit. The findings of the study refute the claim that banks are raking in high profits on structured products.'







It is not always easy to keep up with the numerous national and international regulatory plans. That is why the DDV decided to provide a new information service for its members: the DDV Compass summarises in a simple and easy-to-understand manner all developments relevant to the structured products sector.

In the world of modern communication, life without email may be unthinkable, but electronic communication cannot replace face-to-face meetings. In March, the DDV held an event exclusively for its members, dealing with the regulation of the structured products sector in Germany and Europe. On the same occasion it introduced its new information service, the DDV Compass.

Available only to members of the DDV, the DDV Compass describes in a nutshell all the major regulatory projects impacting the structured products sector in Germany and Europe as a whole. This brief summary of regulatory issues for members is also available in English.

Information on core regulatory provisions and their possible impact was presented by Dr Hartmut Knüppel, CEO and member of the Board of Directors at the DDV, Christian Vollmuth, Managing Director at the DDV, Thomas Wulf, Secretary General of EUSIPA and Dr Klaus Künzel, Chairperson of the DDV's Prospectus Law Committee.



The regulatory plans for the structured products sector provided material for a lively discussion.



## Structured Products Breakfast: inspiration after a good night's sleep

There is no shortage of evening events to attend in Berlin's political world. But, as everyone knows, the early bird catches the worm. That is why the DDV regularly holds a Structured Products Breakfast.

The fourth Structured Products Breakfast was held on 10 July 2013. At this event, the DDV invites the teams working for members of the German Bundestag, as well as political experts who advise parliamentary groups, and the specialist advisers employed by government ministries to meet experts from the structured products sector to chat in an informal atmosphere.

Some people may find the 8.30 a.m. start difficult. But it is not every morning that you get the opportunity to start the day with a large breakfast while learning a little about 'The life cycle of a structured product, from conception to payout' – the title of the talk by Frank Klingelhöfer from Landesbank Berlin at July's Breakfast event.

After this glimpse behind the scenes, there was plenty of opportunity for discussion and to get to know personally the people who are of central importance to the functioning of the political system, but are usually not in the public eye.





# DDV Business Journalism Award: the winning team

The jury for the DDV prize in 2013 chose to present an award to an entire team: first prize was awarded to the Money and Stock Market (Geld & Börse) editorial team of the German business magazine WirtschaftsWoche for its outstanding overall performance. With the football World Cup coming up in 2014, the nine journalists have demonstrated how to win a title – with team spirit.

The DDV awarded its EUR 5,000 Journalist of the Year prize to the editorial team of the Money and Stock Market (Geld & Börse) section of WirtschaftsWoche magazine for the consistently high quality of its reporting. The members of the winning team are Hauke Reimer (Head of Department), Christof Schürmann (Deputy Head of Department), Frank Doll, Martin Gerth, Stefan Hajek, Niklas Hoyer, Annina Reimann, Dr Anton Riedl and Heike Schwerdtfeger.

DDV Managing Director Lars Brandau commented: ‘We are delighted the panel unanimously chose the Money and Stock Market editorial team of WirtschaftsWoche. The prize acknowledges the importance of expert, dedicated journalism in presenting the latest developments in the financial world in a systematic and reader-friendly manner.’

The awards in the four other categories, each worth EUR 1,000, went to:

→ **Print (daily newspaper):**  
Daniel Mohr,  
‘Industrielle Massenproduktion schreitet voran’ (Industrial mass-production proceeds apace), Frankfurter Allgemeine Zeitung, 16 November 2012

- **Print (magazine):**  
Thomas Bergmann,  
‘Mit Hebel zum Erfolg’, (Levers of success), Der Aktionär, Issue 42/2012
- **Online media:**  
Wolfgang Raum,  
‘Ein Revier für Zinsjäger’  
(Ideal terrain for interest rate hunters), Zertifikatejournal, 18/2012
- **Audio/video:**  
Melanie Kösser, DAF

The DDV Business Journalism Award was presented for the sixth time in 2013. The formal award ceremony – which was held in close cooperation with and supported by Boerse Stuttgart and Börse Frankfurt Zertifikate – took place on 18 April 2013 at the Kunstmuseum Stuttgart, on the evening before the investor trade fair INVEST. Each year the jury, which consists of experts from Boerse Stuttgart, Börse Frankfurt Zertifikate and the DDV, recognises the best performances in the categories of print, online and audio/video journalism. The criteria used in judging are quality, originality and, above all, reader-friendliness. The DDV’s aim is to encourage representatives of the media to come to grips with complex financial subjects, adopt a clear position on them and present them in a way that investors can understand.



Above: the winners of the evening with the host (left to right): Wolfgang Raum, Niklas Hoyer (WirtschaftsWoche editorial team), Melanie Kösser, Thomas Bergmann, Lars Brandau, Daniel Mohr.

Below: (left to right): members of the DDV Board of Directors Klaus Oppermann and Stefan Armbruster in discussion with tax law specialist Rolfjosef Hamacher.

# Public relations at the DDV: more of a marathon than a sprint

Property bubble, Lehman Brothers collapse, financial crisis: shortly after it was established in February 2008, the DDV faced a difficult task. The entire structured products sector was blamed for the crisis, partly with good reason, but to a great extent unjustly. A lot has happened since then: a comprehensive transparency initiative and strict self-regulation have strengthened retail investors' confidence in structured products as an investment. In conversation with Professor Klaus Gourgé, Lars Brandau looks back on the DDV's first five years, and ahead to the next tasks it faces.



'Promoting product and market transparency and improving investor education will always be a key component of the Association's activities.'

Lars Brandau

→ **Klaus Gourgé: Mr Brandau, the DDV celebrated its fifth birthday in 2013. How did the collapse of Lehman Brothers lead to such a loss of confidence in structured products as an investment?**

In the media maelstrom surrounding the Lehman Brothers bankruptcy, there was a lot of confusion regarding cause and effect. Structured products were not – as was often wrongly suggested at that time – the trigger or the cause of the financial crisis. It was caused by certain forms of credit derivatives which have nothing to do with structured products for retail investors. However, it is true that almost all financial experts had underestimated the default risk of what was at the time a reputable US American investment bank. As bearer debt instruments, the issuer's structured products were unfortunately also affected by the payment default. It is certainly also true that

many people were badly advised with respect to structured products.

**With the benefit of hindsight, what would you do differently in the days after 15 September 2008, the day of the Lehman Brothers collapse?**

Unlike today, the DDV and its members were not prepared for a crisis of that kind immediately after the Association was founded. Our crisis communication would be different today. We now engage in intensive dialogue with all our target groups, so our communication with political decision makers, journalists, representatives of other associations, and consumer protection agencies is now based on openness and trust. This leaves us in a much better position to resolve any misunderstandings and generally convey the benefits of structured products as an investment.

**Is the damage to the image of structured products still having a negative impact on people's opinion of them?**

Unfortunately, there is still much scepticism with regard to structured products and a distorted view of them in the public mind. However, our wide-ranging commitment, along with that of our members, to increasing transparency and making structured products easier to understand – as well as our various measures to improve investor information – have made an impact. But we still have a long journey ahead of us. For good communication as an Association, we have to have the stamina for a marathon, not just a sprint.



Keeping people informed and engaging in dialogue are the basis of the DDV's public relations

**How do you gauge the impact of your efforts to improve transparency?**

One thing, of course, is the confidence of well-informed investors. They are continuously investing in structured products, as is evident from the reasonably high market volume of more than EUR 90 billion. Another thing is the overwhelmingly positive media response to our projects. More than 70 articles covered our new self-regulatory initiative, the Fairness Code. Financial journalists from major daily newspapers and the *Finanztest* magazine published by Stiftung Warentest, the German consumer organisation, also reported the findings of our study on issuer margins. Headlines such as 'Surprisingly low margins on structured products', 'Banks not making profits with structured products at investors' expense' and 'Banks earn less on structured products than assumed' show that the results of the study are getting through. We have faith in our arguments.

**How do you advise retail investors of the risks and opportunities structured products present?**

Communication can only build confidence if it is credible, honest and ongoing, especially where more complex financial products are involved. This should ideally be based on reliable, objective and well-targeted information. This is our aim as an association. Investors and anyone who visits our well-structured website with its clear, multi-media content, can find not only statistics such as market volumes,

exchange turnover and market shares relating to structured products, but also objective brochures, podcasts, videos and trend surveys.

**What does the DDV expect over the next five years?**

Structured products are a German invention and, having been in existence for little more than 20 years, they are still a very new asset class. Innovations such as customised structured products show that issuers continue to come up with new ideas that cater for the special requirements and desires of retail investors. What is certain is that promoting product and market transparency and improving investor education will always be a key component of the Association's activities. In view of the many regulatory projects, our activities will also expand at both the national and European level, especially in the next few years.

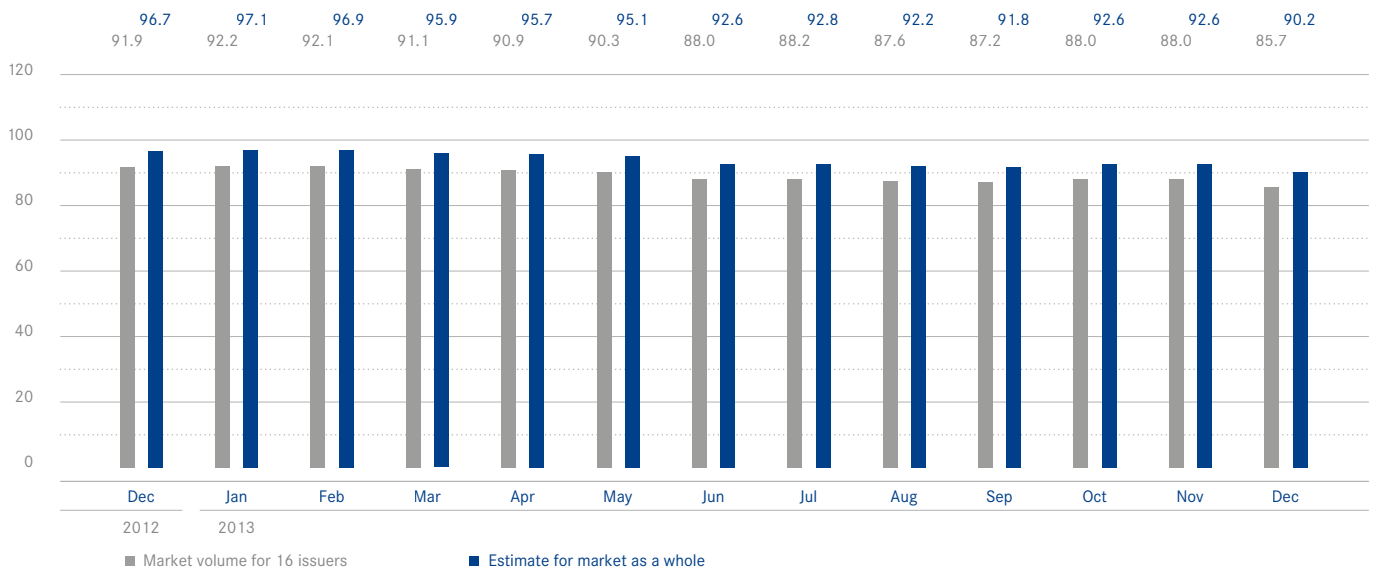
*The interviewer was Professor Dr Klaus Gourgé, Head of the IFU Institut für Unternehmenskommunikation.*

# The structured products market in 2013: facts and figures

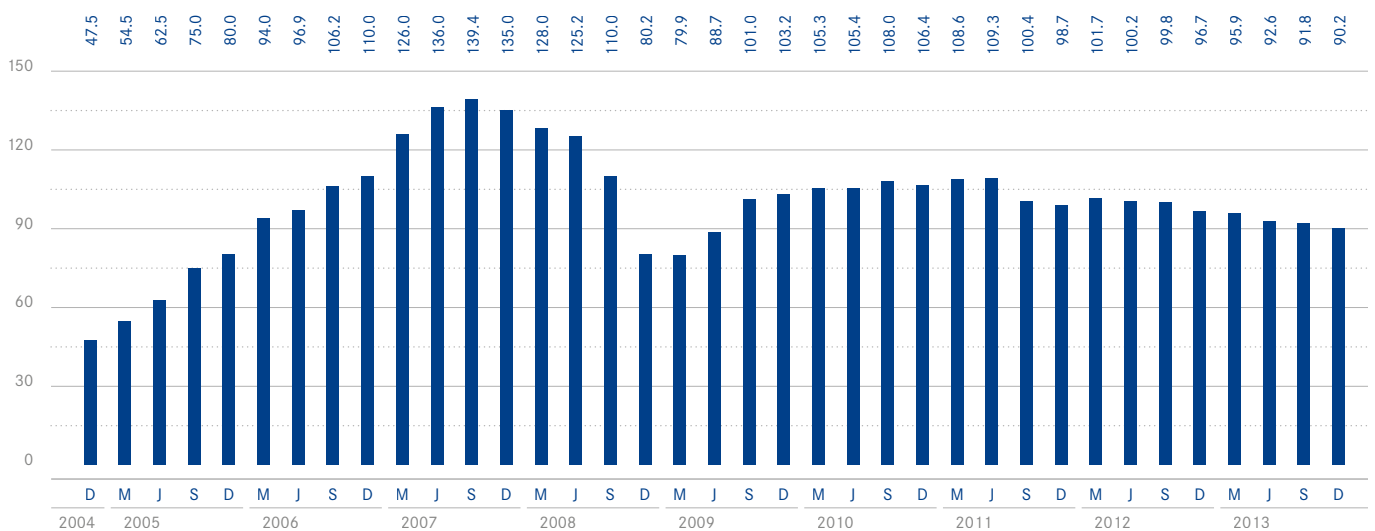
The year 2013 will go down in financial market history as an extraordinarily good one for the stock markets. The DAX® rose by around 25 percent, and the EURO STOXX 50® gained almost 17 percent. However, many retail investors are still cautious about investing in any form of securities. And with structured products, they are investing predominantly in the ones that offer security.

## Market volume

Development of the structured products volume in Germany since December 2012 (in EUR billion)

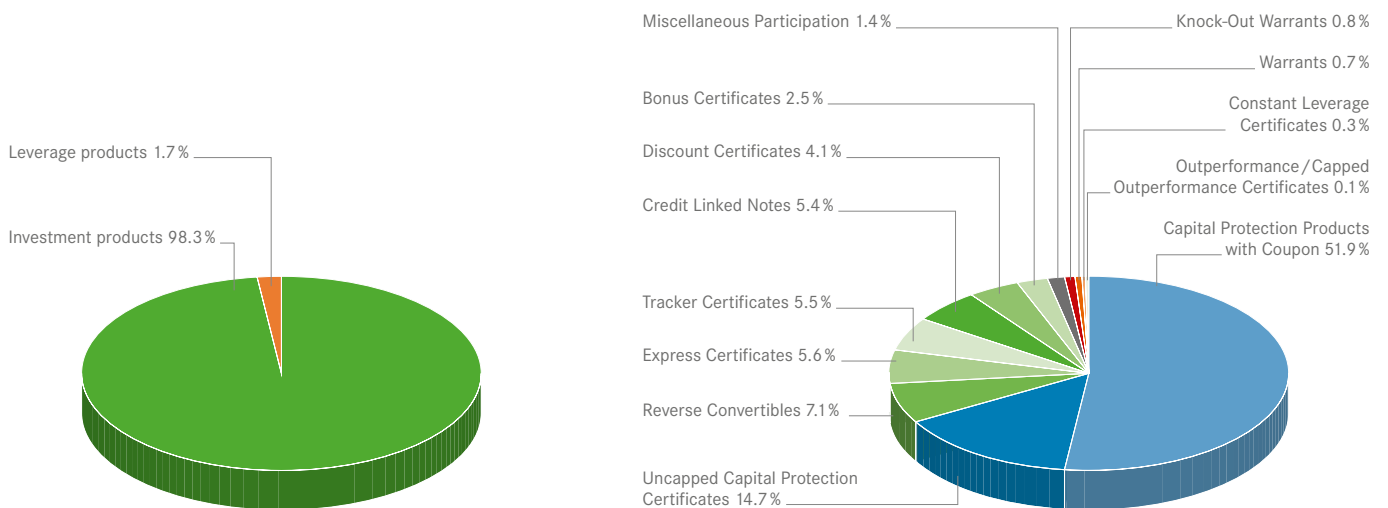


Development of structured products volume in Germany since December 2004 (in EUR billion)



Market volume by product category

Category	Market volume December 2013		Market volume adjusted for price changes		Number of products	
	€ '000	in percent	€ '000	in percent	#	in percent
<b>Investment products</b>						
Uncapped Capital Protection Certificates	12,579,205	14.9	12,636,893	15.0	3,338	0.9
Capital Protection Products with Coupon	44,507,190	52.9	44,625,092	52.9	2,529	0.7
Credit Linked Notes	4,615,340	5.5	4,631,315	5.5	952	0.3
Reverse Convertibles	5,944,240	7.1	5,948,253	7.1	66,104	18.1
Discount Certificates	3,531,305	4.2	3,516,683	4.2	125,717	34.4
Express Certificates	4,826,439	5.7	4,824,289	5.7	3,811	1.0
Bonus Certificates	2,171,432	2.6	2,167,347	2.6	159,362	43.6
Tracker Certificates	4,736,622	5.6	4,725,601	5.6	2,392	0.7
Outperformance/ Capped Outperformance Certificates	104,971	0.1	104,517	0.1	797	0.2
Miscellaneous Participation	1,179,754	1.4	1,184,021	1.4	582	0.2
	<b>84,196,499</b>	<b>98.3</b>	<b>84,364,011</b>	<b>98.3</b>	<b>365,584</b>	<b>44.3</b>
<b>Leverage products</b>						
Warrants	587,663	39.2	606,378	40.6	277,770	60.3
Constant Leverage Certificates	225,024	15.0	218,754	14.6	1,076	0.2
Knock-Out Warrants	684,672	45.7	668,205	44.7	181,497	39.4
	<b>1,497,358</b>	<b>1.7</b>	<b>1,493,337</b>	<b>1.7</b>	<b>460,343</b>	<b>55.7</b>
<b>Total</b>	<b>85,693,857</b>	<b>100.0</b>	<b>85,857,348</b>	<b>100.0</b>	<b>825,927</b>	<b>100.0</b>



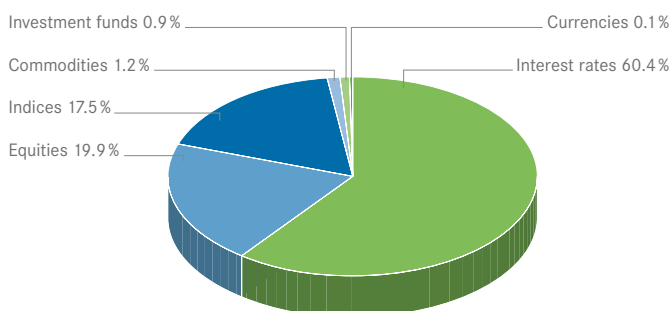
Investment products dominated the market, with a share of 98.3 percent, while leverage products played a minor role, with a share of 1.7 percent.

Structured products offering full capital protection, which guarantee that at maturity the investor will receive at least the nominal value of the capital invested, accounted for two-thirds of the market volume.

## Market volume by underlying

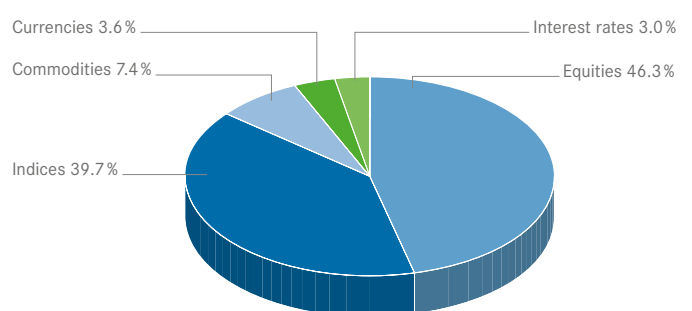
Category	Market volume December 2013		Market volume adjusted for price changes		Number of products	
	€ '000	in percent	€ '000	in percent	#	in percent
<b>Investment products</b>						
Indices	14,758,083	17.5	14,756,705	17.5	100,529	27.5
Equities	16,724,891	19.9	16,735,134	19.8	259,300	70.9
Commodities	996,627	1.2	1,010,895	1.2	1,810	0.5
Currencies	119,507	0.1	120,205	0.1	68	0.0
Interest rates	50,869,965	60.4	51,015,850	60.5	3,701	1.0
Investment funds	727,427	0.9	725,221	0.9	176	0.0
	<b>84,196,499</b>	<b>98.3</b>	<b>84,364,011</b>	<b>98.3</b>	<b>365,584</b>	<b>44.3</b>
<b>Leverage products</b>						
Indices	593,802	39.7	598,436	40.1	108,255	23.5
Equities	693,377	46.3	685,860	45.9	294,994	64.1
Commodities	111,160	7.4	119,013	8.0	23,429	5.1
Currencies	53,755	3.6	54,021	3.6	31,561	6.9
Interest rates	44,898	3.0	35,638	2.4	2,056	0.4
Investment funds	366	0.0	370	0.0	48	0.0
	<b>1,497,358</b>	<b>1.7</b>	<b>1,493,337</b>	<b>1.7</b>	<b>460,343</b>	<b>55.7</b>
<b>Total</b>	<b>85,693,857</b>	<b>100.0</b>	<b>85,857,348</b>	<b>100.0</b>	<b>825,927</b>	<b>100.0</b>

### Investment products by underlying



Investment products with interest rates as an underlying were the most popular. They accounted for 60.4 percent of the total volume. In second place came investment products with equities as an underlying, with a share of 19.9 percent of the volume. Investment products with indices as an underlying accounted for a share of 17.5 percent.

### Leverage products by underlying

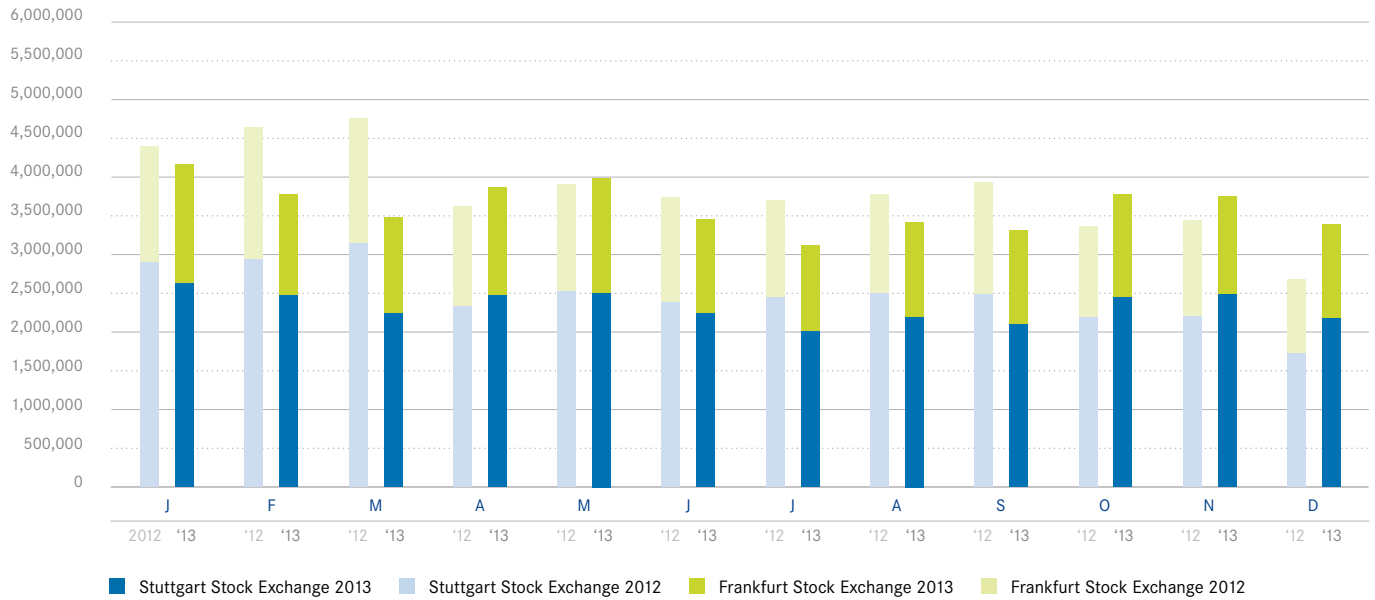


For leverage products, equities were the most popular underlying, and accounted for a share of 46.3 percent. Leverage products with indices as an underlying came second with a share of 39.7 percent. Leverage products based on commodities came in a distant third place, with 7.4 percent of the total volume.



## Stock exchange turnover

### Stock exchange turnover during the course of the year



Despite the strong growth in the leading German and European indices in 2013, trading in investment and leverage products on the Stuttgart and Frankfurt stock exchanges was comparatively quiet. Exchange turnover was down 4.7 percent on the previous year, at EUR 43.6 billion.

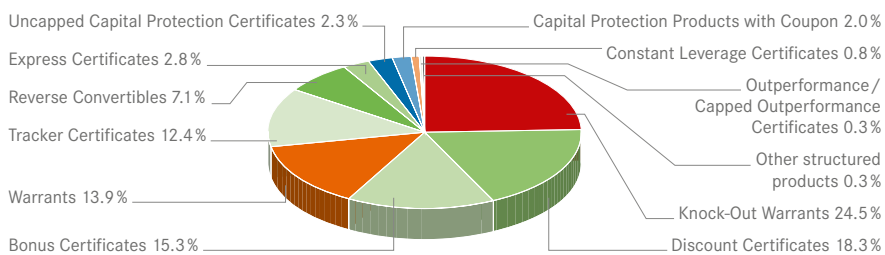
The Stuttgart Stock Exchange generated turnover of around EUR 28.0 billion from structured products in 2013, securing an average market share of 64.2 percent. The Frankfurt Stock Exchange generated turnover of EUR 15.6 billion in investment and leverage products. Its average share of the total volume during the year was 35.8 percent.

### Stock exchange turnover by exchange in 2013

Product categories	Order volume Stuttgart Stock Exchange		Order volume Frankfurt Stock Exchange		Total order volume	
	Market volume	in percent	Market volume	in percent	Market volume	in percent
<b>Investment products</b>						
Capital protection products	571,579,683	2.0	1,288,181,871	8.3	1,859,761,554	4.3
Yield enhancement products	16,783,126,598	60.0	7,879,730,549	50.4	24,662,857,147	56.6
	<b>17,354,706,281</b>	<b>62.0</b>	<b>9,167,912,420</b>	<b>58.7</b>	<b>26,522,618,701</b>	<b>60.9</b>
<b>Leverage products</b>						
Leverage products without knock-out	3,881,216,314	13.9	2,500,674,429	16.0	6,381,890,744	14.6
Leverage products with knock-out	6,733,968,537	24.1	3,953,364,226	25.3	10,687,332,763	24.5
	<b>10,615,184,852</b>	<b>38.0</b>	<b>6,454,038,655</b>	<b>41.3</b>	<b>17,069,223,507</b>	<b>39.1</b>
<b>Derivative products</b>	<b>27,969,891,133</b>	<b>100.0</b>	<b>15,621,951,075</b>	<b>100.0</b>	<b>43,591,842,208</b>	<b>100.0</b>

### Stock exchange turnover by product category in 2013

	Volume in € '000	Compared with 2012 in percent	Market share in percent	Number of orders	Compared with 2012 in percent	Market share in percent	Volume per order in € '000	Compared with 2012 in percent
<b>Investment products</b>								
Uncapped Capital Protection Certificates	987,674.4	-29.5	2.3	51,386	-38.2	1.1	19,220.7	14.2
Capital Protection Products with Coupon	872,087.2	24.2	2.0	43,011	35.7	0.9	20,275.9	-8.5
Reverse Convertibles	3,106,980.5	36.3	7.1	143,775	15.9	3.1	21,610.0	17.6
Discount Certificates	7,987,105.4	-21.7	18.3	228,350	-7.3	4.8	34,977.5	-15.5
Express Certificates	1,215,350.8	-2.2	2.8	60,091	-21.7	1.3	20,225.2	25.0
Bonus Certificates	6,680,772.1	3.4	15.3	240,058	8.7	5.1	27,829.8	-4.9
Tracker Certificates	5,419,354.9	14.0	12.4	355,789	23.5	7.5	15,231.9	-7.7
Outperformance /Capped Outperformance Certificates	130,644.9	94.7	0.3	6,231	77.5	0.1	20,966.9	9.7
Other structured products	122,648.5	-36.1	0.3	6,011	-39.1	0.1	20,404.0	5.0
	<b>26,522,618.7</b>	<b>-2.8</b>	<b>60.8</b>	<b>1,134,702</b>	<b>4.6</b>	<b>24.0</b>	<b>23,374.1</b>	<b>-7.1</b>
<b>Leverage products</b>								
Warrants	6,040,899.7	-7.7	13.9	1,148,143	10.8	24.3	5,261.5	-16.7
Constant Leverage Certificates	340,991.0	-	0.8	34,373	-	0.7	9,920.3	-
Knock-Out Warrants	10,687,332.8	-10.1	24.5	2,400,971	-4.7	50.9	4,451.3	-5.6
	<b>17,069,223.5</b>	<b>-7.4</b>	<b>39.2</b>	<b>3,583,487</b>	<b>0.8</b>	<b>76.0</b>	<b>4,763.3</b>	<b>-8.1</b>
<b>Total</b>	<b>43,591,842.2</b>	<b>-4.7</b>	<b>100.0</b>	<b>4,718,189</b>	<b>1.7</b>	<b>100.0</b>	<b>9,239.1</b>	<b>-6.3</b>

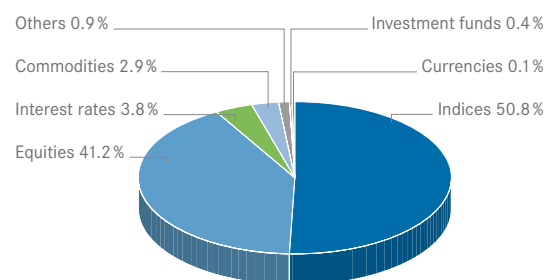


With a share of 60.8 percent, investment products accounted for well over half of stock exchange turnover in 2013. Leverage products accounted for 39.2 percent.

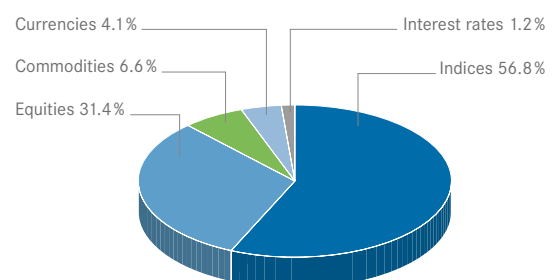
### Stock exchange turnover by underlying in 2013

	Market Volume in € '000	Compared with 2012 in percent	Market share in percent
<b>Investment products</b>			
Indices	13,464,433.8	-7.4	50.8
Equities	10,918,800.1	6.5	41.2
Commodities	771,990.3	-32.8	2.9
Currencies	19,182.9	-37.5	0.1
Interest rates	998,996.7	0.9	3.8
Investment funds	98,694.2	-29.5	0.4
Others	250,520.7	36.9	0.9
	<b>26,522,618.7</b>	<b>-2.8</b>	<b>100.0</b>
<b>Leverage products</b>			
Indices	9,691,561.0	-14.3	56.8
Equities	5,357,355.7	24.1	31.4
Commodities	1,120,600.7	-36.4	6.6
Currencies	695,561.7	7.8	4.1
Interest rates	201,267.9	-48.0	1.2
Investment funds	332.9	-21.8	0.0
Others	2,543.7	n.a.	0.0
	<b>17,069,223.5</b>	<b>-7.4</b>	<b>100.0</b>
<b>Total</b>	<b>43,591,842.2</b>	<b>-4.7</b>	

### Investment products by underlying

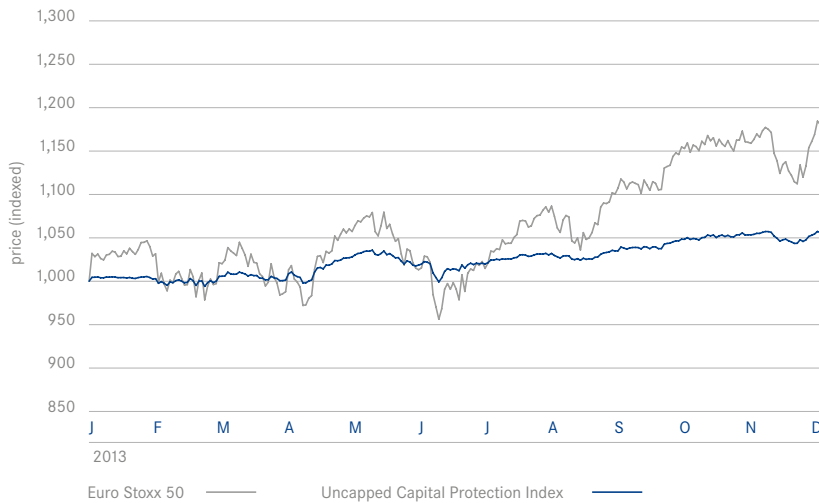


### Leverage products by underlying



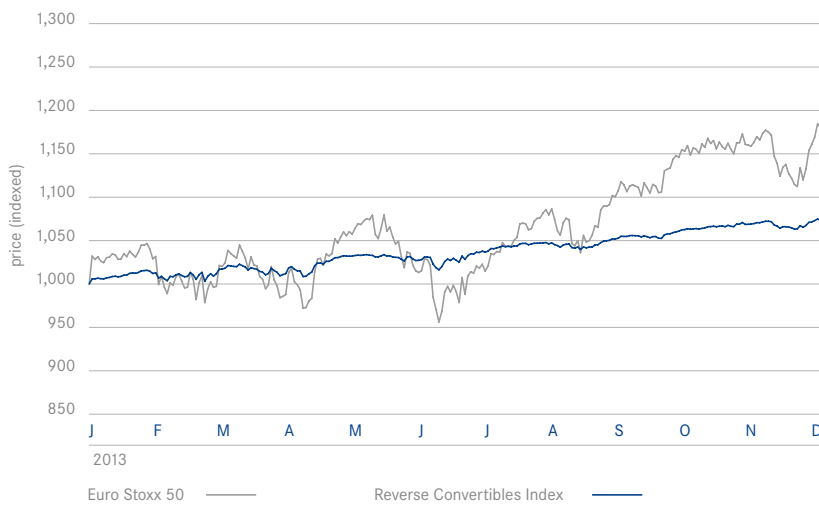
**Structured product indices:  
comparison of the performance of structured products with other financial products**

The DDV supports the move of Börse Frankfurt Zertifikate and the European Derivatives Group to publish indices for different categories of structured products. The indices show the average performance of structured products and enable their performance to be directly compared with that of other financial products.



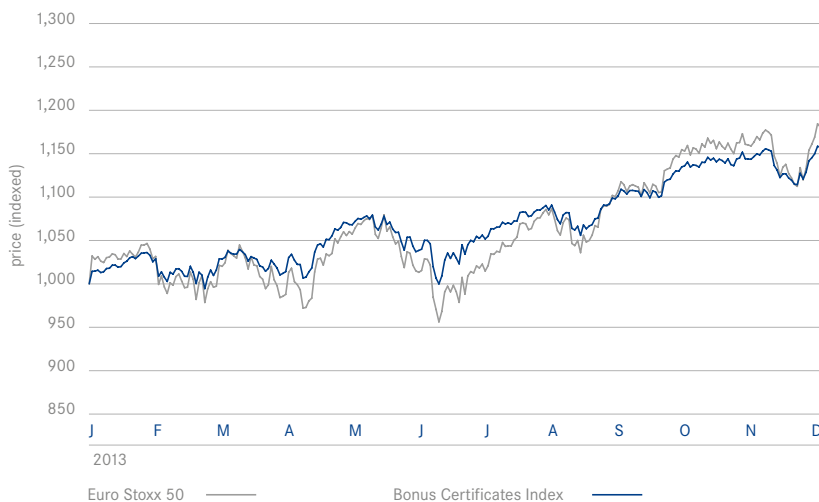
**Uncapped Capital Protection Index**

In exchange for the security of Uncapped Capital Protection Certificates, investors accept that they will lose out on any large increases in prices if there is strong growth in the markets. This meant that the Uncapped Capital Protection Index did not keep pace with the rapid growth of the European benchmark index, the EURO STOXX 50, in 2013. Despite some ups and downs, the EURO STOXX 50 posted a strong increase of 18.05 percent. Uncapped Capital Protection Certificates, on the other hand, gave investors great peace of mind and increased by a safe 5.60 percent over the year.



**Reverse Convertibles Index**

Where the price of an underlying moves sideways or falls slightly, the interest income from Reverse Convertibles ensures investors receive a regular return. In the weak phases of the EURO STOXX 50, such as in May and June 2013, this significantly cushioned the impact of the losses. However, since the gains in Reverse Convertibles are capped, the Reverse Convertibles Index performed worse over the year than the EURO STOXX 50 index. Reverse Convertibles themselves, on the other hand, generated a very reasonable return of 7.34 percent.



**Bonus Certificates Index**

Bonus Certificates generated by far the best returns of all structured products in 2013. While the EURO STOXX 50 experienced considerable falls in its value several times during the year, the Bonus Index built up a slight advantage in terms of returns until September. The European benchmark index only managed to catch up in its year-end rally, producing an annual return of 18.05 percent. The Bonus Index also achieved a significant increase of 15.72 percent. This was in spite of the fact that investors chose very low barriers, suggesting a great need for security among investors.

# The DDV at work: organisation, committees and executives

The Association's Board of Directors and its committees deal with many specific issues. Almost every week, the individuals responsible meet in various groups. A look at the schedule for 2013 shows as many as eight meetings of the Board of Directors, 19 meetings of the committees, and numerous meetings of various task forces and project groups. On top of this, there are general meetings as well as meetings of the Academic Advisory Board and of the European umbrella association, EUSIPA.



## → General meetings

Twelfth general meeting  
on 5 March 2013  
Extraordinary general meeting  
on 28 August 2013  
Thirteenth general meeting  
on 16 September 2013  
Extraordinary general meeting  
on 21 October 2013

## → Meetings of the Board of Directors

8 February 2013  
5 March 2013  
18 April 2013  
28 May 2013  
3 July 2013  
15 August 2013  
22 August 2013  
18 November 2013

## → Academic Advisory Board

Seventh meeting on 5 July 2013

## → EUSIPA Board Meeting

Tenth meeting on 9 April in Milan, Italy  
Eleventh meeting on 8 November in Vienna, Austria

## → Committee meetings

### Regulation and Investor Protection Committee

Twenty-third meeting on 6 February 2013  
Special meeting on 12 March 2013  
Special meeting on 21 March 2013  
Special meeting on 22 April 2013  
Twenty-fourth meeting on 23 April 2013  
Special meeting on 15 May 2013  
Twenty-fifth meeting on 4 July 2013  
Special meeting on 10 September 2013  
Twenty-sixth meeting on 24 September 2013  
Special meeting on 2 October 2013  
Special meeting on 18 October 2013  
Twenty-seventh meeting  
on 26 November 2013

### Prospectus Law Committee

Twenty-fourth meeting on 6 February 2013  
Twenty-fifth meeting on 23 April 2013  
Special meeting on 18 June 2013  
Twenty-sixth meeting on 4 July 2013  
Twenty-seventh meeting  
on 24 September 2013  
Special meeting on 12 November 2013  
Twenty-eighth meeting  
on 26 November 2013

→ Board of Directors



**Stefan Armbruster**

Managing Director at Deutsche Bank AG, responsible for the distribution and marketing of structured products and warrants.



**Jan Krüger**

Head of Equity Derivatives Sales in the Retail Clients division at LBBW and responsible for product management and the distribution and marketing of structured products and debt instruments to retail customers.



**Klaus Oppermann**

Head of Public Distribution in the central Corporates & Markets business division at Commerzbank AG and responsible for the public distribution of securitised derivatives in Germany and the other European countries.



**Grégoire Toublanc**

Head of Exchange Traded Solutions at BNP Paribas, responsible for the distribution and marketing of structured products.



**Dr Hartmut Knüppel**

CEO and Member of the Board of Directors at the Deutscher Derivate Verband (DDV). He has previously served in various roles in politics and industry.

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**→ Strategic Board**


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**Dr Jürgen Amendinger**  
 UniCredit Bank AG  
 Deputy Global Head  
 of Private Investor Products  
 Global Head of Corporate  
 Investment Products



**Nils Niermann**  
 Bayerische Landesbank  
 Member of the Board of Management



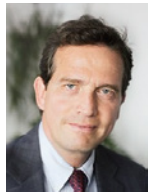

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**Frank Burkhardt**  
 Société Générale S. A.  
 Head of Global Markets  
 Germany & Austria




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**Michael Reuther**  
 Commerzbank AG  
 Member of the Board of  
 Managing Directors




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**Serge Demolière**  
 Landesbank Berlin AG  
 Member of the Board of Management




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**Carola Gräfin von Schmettow**  
 HSBC Trinkaus & Burkhardt AG  
 Member of the Management Board




---

**Lars Hille**  
 DZ BANK AG  
 Member of the Board  
 of Managing Directors




---

**Dirk Schmitz**  
 Deutsche Bank AG  
 Managing Director  
 Head of Coverage Germany & Austria




---

**Philip Holzer**  
 Goldman Sachs International  
 Partner




---

**Roger Studer**  
 Bank Vontobel AG  
 Head of Investment Banking




---

**Rainer Krick**  
 Helaba – Landesbank Hessen-Thüringen  
 Member of the Board  
 of Managing Directors




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**Stefan Winter**  
 UBS Deutschland AG  
 Member of the Executive Board



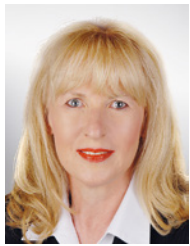

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**Torsten Murke**  
 BNP Paribas S. A.  
 Head of Corporate and  
 Investment Banking



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→ Academic Advisory Board



**Professor Dr Sigrid Müller (Chairperson)**  
Humboldt-Universität zu Berlin,  
Germany



**Professor Dr Lutz Johanning**  
WHU - Otto Beisheim School of Management,  
Vallendar, Germany



**Professor Dr Christian Koziol**  
Eberhard Karls Universität of Tübingen,  
Germany



**Professor Dr Bernd Rudolph**  
Ludwig Maximilians Universität of Munich,  
Germany



**Professor Dr Dirk Schiereck**  
Technische Universität of Darmstadt,  
Germany

## → Regulation and Investor Protection Committee



(left to right) Wohlfarth, Dr Neundörfer, Höfer

**Dr Nikolaus Neundörfer** (Chairperson)  
Deutsche Bank AG  
Director and Senior Counsel  
nikolaus.neundoerfer@db.com

**Helmut Höfer** (Deputy)  
Société Générale S.A. (from 1 April 2014)  
Lawyer  
helmut.hoefer@sgcib.com

**Jürgen Wohlfarth** (Deputy)  
Commerzbank AG  
Director, Equity Markets & Commodities  
juergen.wohlfarth@commerzbank.com

## → Prospectus Law Committee



(left to right) Dr Neundörfer, Dr Künzel, Krull

**Dr Klaus Künzel** (Chairperson)  
Commerzbank AG  
Senior Counsel  
klaus.kuenzel@commerzbank.com

**Georg Krull** (Deputy)  
HSBC Trinkaus & Burkhardt AG  
Head of New Issues & Transaction Development  
georg.krull@hsbctrinkaus.de

**Dr Nikolaus Neundörfer** (Deputy)  
Deutsche Bank AG  
Director and Senior Counsel  
nikolaus.neundoerfer@db.com

## → Tax Committee



(left to right) Sandkühler, Rudolf, Dr Lappas

**Torsten Sandkühler** (Chairperson)  
BNP Paribas S.A.  
Head of Tax Germany / Austria  
torsten.sandkuehler@bnpparibas.com

**Daniela Rudolf** (Deputy)  
UBS Deutschland AG  
Tax / Estate Planning  
daniela.rudolf@ubs.com

**Dr Marc Lappas** (Deputy)  
DZ BANK AG  
Group Finance – Product Tax Consulting  
marc.lappas@dzbank.de

(February 2014)



## → The DDV Team



Berlin Office



Frankfurt Office

## → Contacts

**Berlin Office and Frankfurt Office**

**Dr Hartmut Knüppel**  
 CEO and Member of the Board of Directors  
 +49 (0) 30 4000 475-10  
 knueppel@derivateverband.de

**Berlin Office**

**Christian Vollmuth**  
 Managing Director / Head of Berlin Office  
 +49 (0) 30 4000 475-50  
 vollmuth@derivateverband.de

**Frankfurt Office**

**Lars Brandau**  
 Managing Director / Head of Frankfurt Office  
 +49 (0) 69 244 33 03-40  
 brandau@derivateverband.de



**Nikolaus Wilke**  
 Vice President Legal  
 +49 (0) 30 4000 475-20  
 wilke@derivateverband.de



**Berthold Knetsch**  
 Vice President Committees and Projects  
 +49 (0) 69 244 33 03-50  
 knetsch@derivateverband.de



**Liane Ulbig**  
 Vice President Government Relations  
 +49 (0) 30 4000 475-31  
 ulbig@derivateverband.de



**Barbara Wiesneth**  
 Media Relations Officer  
 +49 (0) 69 244 33 03-70  
 wiesneth@derivateverband.de



**Dorothea Smolka**  
 Assistant to the Management  
 +49 (0) 30 4000 475-15  
 smolka@derivateverband.de



**Susanne Bock**  
 Assistant to the Management / New Media  
 +49 (0) 69 244 33 03-60  
 bock@derivateverband.de

**On parental leave:**

**Sanna Karolszyk**  
 Vice President Government Relations

**Saskia Graumüller**  
 Assistant to the Management /  
 Financial Controlling

# Members



(February 2014)

# Sponsoring Members



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FRANKFURT**



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DIE PRIVATANLEGERBÖRSE



**ARIVA.DE**



**smarthouse**



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infrastructure · applications · services



**Interactive Data**



**vwdgroup:**



**OnVista**

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Professor Dr Klaus Gourgé  
IFU Institut für Unternehmenskommunikation GmbH  
Feldbergstrasse 36 | 60323 Frankfurt am Main | Germany  
www.ifu-online.com

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page 36: Shirley

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## Offices

### **Berlin**

Deutscher Derivate Verband  
Pariser Platz 3  
10117 Berlin  
Germany  
Phone +49 (0) 30 4000 475-15  
[politik@derivateverband.de](mailto:politik@derivateverband.de)

### **Frankfurt am Main**

Deutscher Derivate Verband  
Feldbergstrasse 38  
60323 Frankfurt am Main  
Germany  
Phone +49 (0) 69 244 33 03-60  
[info@derivateverband.de](mailto:info@derivateverband.de)

### **Brussels**

Bastion Tower Level 20  
5, place du Champ de Mars  
1050 Brussels  
Belgium  
Phone +32 (0) 2 550 34 15  
[eu@derivateverband.de](mailto:eu@derivateverband.de)

[www.derivateverband.de](http://www.derivateverband.de)