

Market Volume

in Derivatives



Volume of certificates falls in June

Products with capital protection attract more than two thirds of investors' funds

The outstanding volume of the German certificates market fell in June. This can be explained by the difficult market environment and the large number of products maturing.

All in all, the volume of certificates fell by 2.5 percent or EUR 2.3 billion. Certificate prices were down by 1.0 percent on average so that, after a price adjustment, a decline of 1.4 percent or EUR 1.3 billion could be observed. This is shown by the latest figures collected each month from 16 banks by the European Derivatives Group (EDG) on behalf of Deutscher Derivate Verband (DDV), the German Derivatives Association.

When the figures collected by EDG are extrapolated to all issuers, the **total volume of the German certificates market at the end of June** was **EUR 92.6 billion**.

The **ratio of investment certificates to leverage products** shifted slightly in favour of investment products, which accounted for 98.7 percent of the volume invested, while leverage products made up only 1.3 percent of volume in June.

Investment products by product category

In June investors continued to favour security in their choice of product category. Accounting for 67.2 percent in total, **investment products offering full capital protection** constituted more than two thirds of the total open interest of the investment products. Most capital-guaranteed products took the form of **Capital Protection Products with Coupon**, which accounted for 52.2 percent. The outstanding ►►

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Market Volume June | 2013

- The total volume of the German certificates market was down in June and amounted to EUR 92.6 billion.
- Accounting for 98.7 percent of the total volume, investment products dominated the market, while leverage products, making up 1.3 percent, played only a minor role.
- Discount Certificates were very popular with investors in June, and their decline was due to price falls. After price adjustments, they were up by 0.7 percent or EUR 31 million.
- Certificates offering full capital protection remained the dominant investment category. Accounting for 67.2 percent of total market volume, Capital Protection Products with Coupon and Uncapped Capital Protection Certificates attracted more than two thirds of investors' funds.

volume was down by 1.1 percent or EUR 518 million. 14.7 percent, on the other hand, was accounted for by **Uncapped Capital Protection Certificates** whose open interest fell by 2.3 percent or EUR 296 million.

Reverse Convertibles did not continue the previous month's positive trend in the month under review. Their market volume fell by 2.2 percent or EUR 135 million. Price falls also had a major impact on the development in this product category. After adjustment to take account of prices, the outstanding volume was down by 0.4 percent or EUR 24 million. All in all, Reverse Convertibles accounted for 6.7 percent of the total volume.

The market volume of **Discount Certificates** dropped by 0.8 percent in the month under review. After price adjustment however, Discount Certificates, rose by as much as 0.7 percent or EUR 31 million. Their share of the volume of investment products rose slightly to 5.1 percent.

Market volume for **Express Certificates** decreased by 4.1 percent, or EUR 213 million, at the end of the second quarter, accounting for 5.7 percent of volume in the investment products segment.

The market volume of **Bonus Certificates** fell slightly by 1.8 percent or EUR 46 million, accounting for 2.9 percent of volume.

Tracker Certificates showed a sharper decline. Their market volume fell by 12.3 percent, or EUR 673 million, in June. In addition to switching and redemption, this can also be explained by sharp price falls of 4.2 percent. This category accounted for 5.5 percent.

Market volume in the **Outperformance Certificates and Capped Outperformance Certificates** category also fell by 9.8 percent or EUR 8 million. However, as they accounted for only 0.1 percent, this had little impact on the overall trend for investment products.

Other investment products without capital protection also showed a falling trend. Their volume was down by 3.4 percent or EUR 206 million, and they accounted for 6.7 percent of volume in June, mainly because of the strong demand for credit linked notes.

Leverage products by product category

The volume of **leverage products** fell by 12.5 percent or EUR 165 million.

When looked at by product category, it can be seen that volumes were down for both Warrants and Knock-Out Warrants. **Warrants** showed a decline of 11.3 percent or EUR

67 million and accounted for 45.7 percent of all leverage products.

The open interest of **Knock-Out Warrants** decreased by 13.5 percent or EUR 98 million. These products accounted for 54.3 percent of all leverage products.

Investment products by underlying

Despite the downward trend, investment products with **interest rates as an underlying** remained very popular among investors in June. At 59.5 percent more than half of market volume for investment certificates was invested in interest rate products. Their volume fell by 1.3 percent or EUR 658 million, particularly due to the declining trend shown by Capital Protection Products with Coupon.

Certificates with **equities as an underlying** followed in second place, accounting for 19.3 percent of volume. Their outstanding volume went down by 3.5 percent or EUR 601 million.

Investment certificates with **indices as an underlying** accounted for 18.9 percent. In June, their market volume was down month on month by 4.1 percent or EUR 708 million. ▶▶

The market volume of investment certificates with **commodities as an underlying** fell by 5.8 percent or EUR 74 million. However, after adjustment to take account of price falls of 6.3 percent they were up slightly by 0.6 percent or EUR 7 million. As they constituted only 1.5 percent of volume, the impact of commodities on the overall development of investment certificates was negligible.

The same goes for investment products with **investment funds as an underlying** which accounted for 0.8 percent of volume. Month on month they were down by 6.4 percent or EUR 50 million.

The market volume of investment certificates with **currencies as an underlying** had virtually no effect on the overall development. Their volume fell by 28.1 percent or EUR 39 million. However, they made up only 0.1 percent of total volume.

Leverage products by underlying

The most popular class of underlying assets in the case of leverage products was **indices as an underlying**. Their volume fell by 10.6 percent or EUR 57 million. Accounting for

41.3 percent of volume, however, they overtook equities as an underlying in June.

Following close behind index products were leverage products with **equities as an underlying**. In the month under review, their market volume fell by 16.1 percent or EUR 90 million, and they accounted for 40.7 percent of the total volume of leverage products.

They were followed by products with **commodities as an underlying**. Due to sharp price falls, their outstanding volume decreased by 11.2 percent or EUR 14 million. They accounted for 9.9 percent of the total volume of leverage products.

The market volume of leverage products with **currencies as an underlying** was also down in June. The outstanding volume fell by 10.6 percent or EUR 7 million. They accounted for 5.1 percent of the total volume.

Interest rates as an underlying bucked the trend in June and increased their volume by 11.8 percent or EUR 3 million. This growth, however, can be attributed entirely to price rises. Accounting for 2.8 percent of volume, they had only little impact on the overall picture. ■

The following companies contributed to the market volume statistics:



Deutscher Derivate Verband (DDV)

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

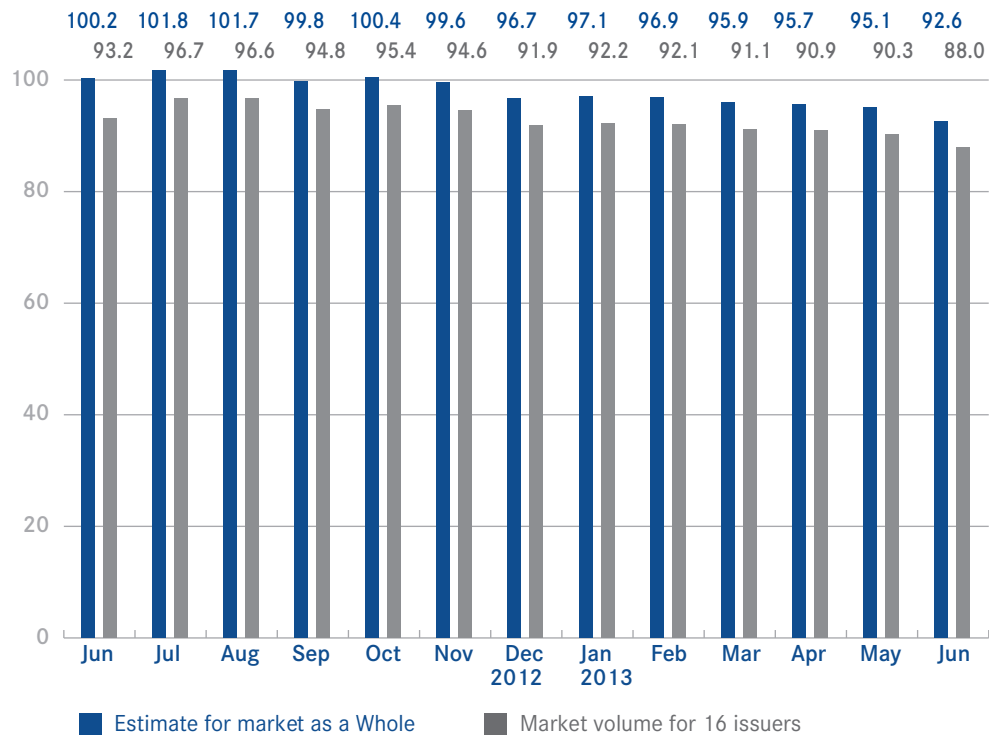
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Market volume since June 2012



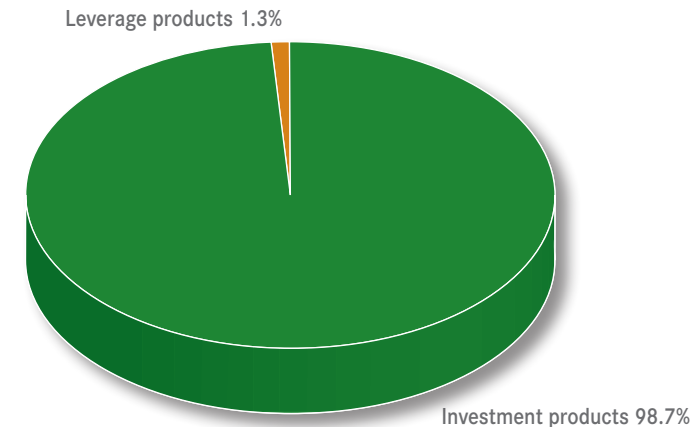
Product classes

Market volume as at 30 June 2013

Product classes	Market volume	Share
	T€	%
Investment products	86,886,473	98.7%
Leverage products	1,153,571	1.3%
Total Derivatives	88,040,044	100.0%

Product classes

Market volume as at 30 June 2013

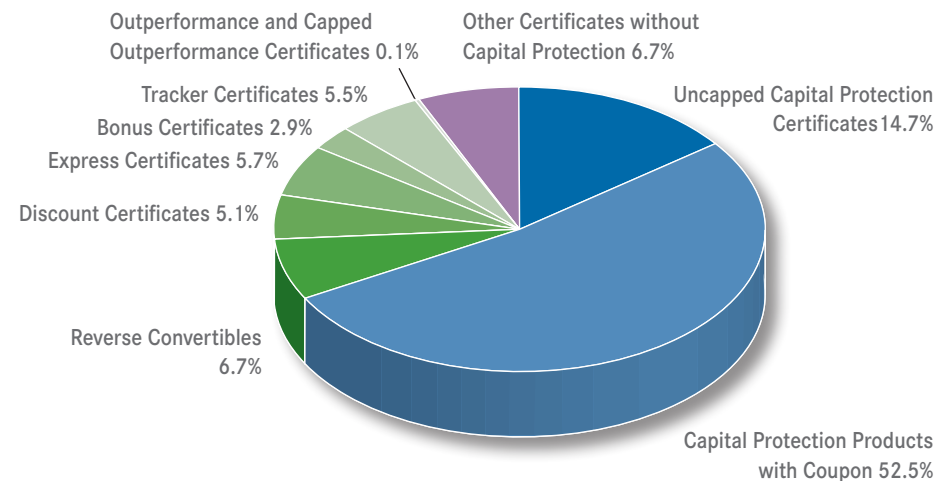


Market volume by product category as at 30 June 2013

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	12,804,284	14.7%	12,979,223	14.8%	3,367	1.0%
■ Capital Protection Products with Coupon	45,601,377	52.5%	45,679,266	52.1%	2,497	0.7%
■ Reverse Convertibles	5,856,406	6.7%	5,967,099	6.8%	53,240	15.6%
■ Discount Certificates	4,441,627	5.1%	4,509,457	5.1%	130,497	38.2%
■ Express Certificates	4,989,825	5.7%	5,105,762	5.8%	3,626	1.1%
■ Bonus Certificates	2,560,374	2.9%	2,572,416	2.9%	143,476	42.0%
■ Tracker Certificates	4,780,166	5.5%	5,010,563	5.7%	2,797	0.8%
■ Outperformance and Capped Outperformance Certificates	73,233	0.1%	77,326	0.1%	802	0.2%
■ Other Certificates without Capital Protection	5,779,181	6.7%	5,847,576	6.7%	1,428	0.4%
Investment products total	86,886,473	98.7%	87,748,688	98.5%	341,730	44.4%
■ Warrants	526,961	45.7%	615,151	46.5%	270,381	63.1%
■ Knock-Out Warrants	626,610	54.3%	707,636	53.5%	157,861	36.9%
Leverage products total	1,153,571	1.3%	1,322,786	1.5%	428,242	55.6%
Total	88,040,044	100.0%	89,071,474	100.0%	769,972	100.0%

Investment products by product category

Market volume as at 30 June 2013

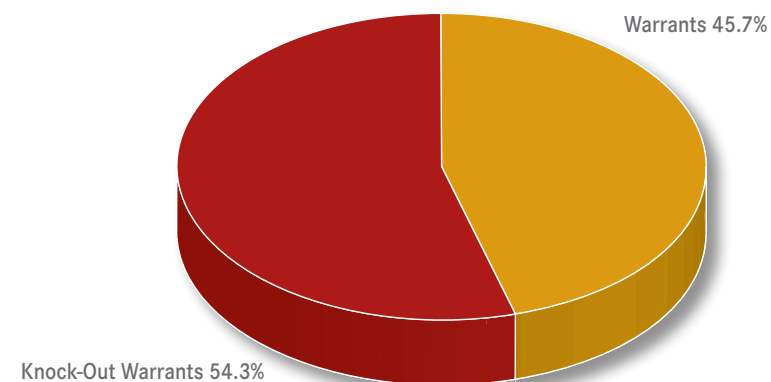


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	
■ Uncapped Capital Protection Certificates	-295,540	-2.3%	-120,601	-0.9%	-1.3%
■ Capital Protection Products with Coupon	-517,638	-1.1%	-439,749	-1.0%	-0.2%
■ Reverse Convertibles	-134,623	-2.2%	-23,930	-0.4%	-1.8%
■ Discount Certificates	-36,607	-0.8%	31,223	0.7%	-1.5%
■ Express Certificates	-213,287	-4.1%	-97,351	-1.9%	-2.2%
■ Bonus Certificates	-45,612	-1.8%	-33,569	-1.3%	-0.5%
■ Tracker Certificates	-673,451	-12.3%	-443,054	-8.1%	-4.2%
■ Outperformance and Capped Outperformance Certificates	-7,994	-9.8%	-3,900	-4.8%	-5.0%
■ Other Certificates without Capital Protection	-205,521	-3.4%	-137,127	-2.3%	-1.1%
Investment products total	-2,130,273	-2.4%	-1,268,058	-1.4%	-1.0%
■ Warrants	-66,983	-11.3%	21,207	3.6%	-14.8%
■ Knock-Out Warrants	-97,766	-13.5%	-16,741	-2.3%	-11.2%
Leverage products total	-164,750	-12.5%	4,466	0.3%	-12.8%
Total	-2,295,023	-2.5%	-1,263,593	-1.4%	-1.1%

Leverage products by product category

Market volume as at 30 June 2013



Market volume by underlying asset as at 30 June 2013

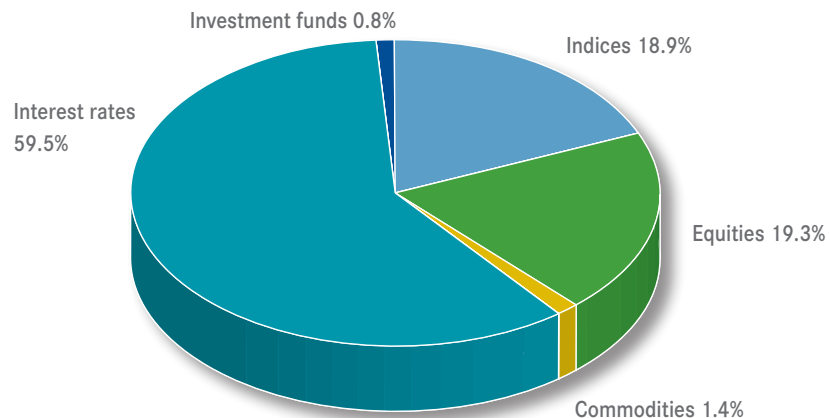
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	16,402,974	18.9%	16,679,094	19.0%	93,379	27.3%
Equities	16,784,325	19.3%	17,136,808	19.5%	241,471	70.7%
Commodities	1,208,898	1.4%	1,290,356	1.5%	3,023	0.9%
Currencies	100,499	0.1%	101,911	0.1%	54	0.0%
Interest rates	51,657,729	59.5%	51,786,035	59.0%	3,510	1.0%
Investment funds	732,048	0.8%	754,484	0.9%	293	0.1%
	86,886,473	98.7%	87,748,688	98.5%	341,730	44.4%
Leverage products						
Indices	476,107	41.3%	527,767	39.9%	99,465	23.2%
Equities	469,428	40.7%	562,014	42.5%	267,277	62.4%
Commodities	113,735	9.9%	138,518	10.5%	24,931	5.8%
Currencies	61,958	5.4%	66,989	5.1%	34,201	8.0%
Interest rates	32,249	2.8%	27,350	2.1%	2,321	0.5%
Investment funds	94	0.0%	149	0.0%	47	0.0%
	1,153,571	1.3%	1,322,786	1.5%	428,242	55.6%
Total	88,040,044	100.0%	89,071,474	100.0%	769,972	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 30 June 2013 x price as at 31 May 2013

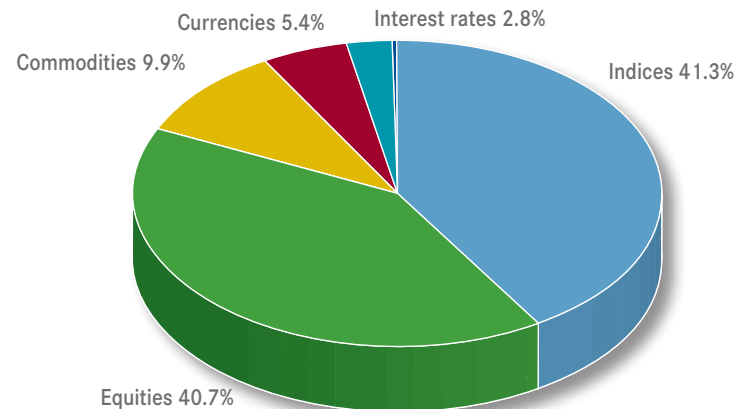
Change in the market volume by underlying asset in comparison with previous month

Basiswert	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-707,802	-4.1%	-431,682	-2.5%	-1.6%
Equities	-601,204	-3.5%	-248,721	-1.4%	-2.0%
Commodities	-74,002	-5.8%	7,456	0.6%	-6.3%
Currencies	-39,286	-28.1%	-37,874	-27.1%	-1.0%
Interest rates	-657,706	-1.3%	-529,401	-1.0%	-0.2%
Investment funds	-50,272	-6.4%	-27,837	-3.6%	-2.9%
	-2,130,273	-2.4%	-1,268,058	-1.4%	-1.0%
Leverage products					
Indices	-56,569	-10.6%	-4,909	-0.9%	-9.7%
Equities	-89,908	-16.1%	2,679	0.5%	-16.6%
Commodities	-14,309	-11.2%	10,474	8.2%	-19.4%
Currencies	-7,331	-10.6%	-2,300	-3.3%	-7.3%
Interest rates	3,405	11.8%	-1,494	-5.2%	17.0%
Investment funds	-39	-29.0%	16	12.0%	-41.0%
	-164,750	-12.5%	4,466	0.3%	-12.8%
Total	-2,295,023	-2.5%	-1,263,593	-1.4%	-1.1%

Investment products by underlying asset Market volume as at 30 June 2013



Leverage products by underlying asset Market volume as at 30 June 2013



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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