

Market Volume

in Derivatives



Structured products market declines in July

Growth in Discount Certificates

The outstanding volume of the German structured products market fell by EUR 1.9 billion, or 2.4 percent, in July. The main reason for the decline was a fall in the volume of investment products offering full capital protection. Discount Certificates bucked the downward trend with an increase in volume.

These statistics are based on the latest figures from the European Derivatives Group (EDG AG), which collects data each month from 17 banks on behalf of Deutscher Derivate Verband (DDV), the German Derivatives Association. Extrapolating the figures collected by EDG to all issuers puts the **total volume of the German structured products market at EUR 88.7 billion at the end of July.**

Compared with the previous month, the **ratio of investment products to leverage products** shifted slightly in favour of investment products. They accounted for 98.1 percent of the market volume, while leverage products made up 1.9 percent.

Investment products by product category

The volume of **investment products offering full capital protection** was down in July, but they remained the most popular category among investors. A month-on-month decline of 3.7 percent was recorded in the category of Capital Protection Products with Coupon, where the market ▶▶

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Market Volume July | 2014

- The total volume of the German structured products market in June was EUR 90.4 billion.
- Tracker Certificates were the only category of investment product to experience growth. They accounted for 6.0 percent of the investment products market.
- Investment products accounted for 98.0 percent of the market volume, while leverage products contributed only 2.0 percent.
- Despite a decrease, structured products offering full capital protection remained the dominant investment category. More than two-thirds of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

volume was EUR 38.6 billion. This category accounted for 49.4 percent of the total volume of investment products. The volume of Uncapped Capital Protection Certificates fell by 2.1 percent to EUR 11.2 billion. Their market share was 14.4 percent. These two products accounted for 63.8 percent of the market volume in June.

The market volume of **Reverse Convertibles** fell by 0.4 percent to EUR 6.8 billion. This category had a market share of 8.5 percent.

The market volume of **Tracker Certificates** was down 3.2 percent to EUR 4.7 billion. They accounted for 6.0 percent of investment products.

A decline of 1.7 percent was recorded in **Express Certificates**, with a volume of EUR 4.5 billion, representing a share of 5.7 percent of the investment products market.

At EUR 4.5 billion, **Discount Certificates** gained 4.3 percent. They accounted for 5.6 percent of the total volume.

The market volume of **Credit Linked Notes** was EUR 4.4 billion. They represented 5.3 percent of the investment products market.

There was a drop of 5.2 percent in the **Bonus Certificates** category, with EUR 2.6 billion invested. Bonus Certificates accounted for 3.3 percent of the total volume of the investment products segment.

The volume of **Outperformance and Capped Outperformance Certificates** fell by 22.1 percent to EUR 94.5 million. However, with its very small share of the total volume, at 0.1 percent, this category had hardly any impact on the overall trend in the investment products segment.

The volume of **other yield enhancement products** fell by 2.7 percent to EUR 897 million. They accounted for 1.1 percent of the volume.

Leverage products by product category

The market volume of **leverage products** fell by 6.9 percent to EUR 1.7 billion in June. Factor Certificates were the only category of leverage product to experience growth.

The volume invested in **Knock-Out Warrants** fell by 9.6 percent to EUR 737 million. This represented a share of 44.4 percent of the total volume of the leverage products segment.

There was a decrease of 7.2 percent in the **Warrants** category. They accounted for EUR 675 million, or 40.6 percent, of the volume.

The volume of **Factor Certificates** rose by 3.4 percent to EUR 250 million. This represented a 15.0 percent share of the leverage products market.

Investment products by underlying

Structured products with **interest rates as an underlying** were the most popular investment products in June. Despite a decline of 2.0 percent overall, together they accounted for 57.3 percent of the total volume of investment products, with a market volume of EUR 45.7 billion.

Products with **equities as an underlying** followed in second place. Their volume fell by 4.4 percent to EUR 17.8 billion, representing 22.2 percent of the investment products market.

Investment products with **indices as an underlying** came third, with a share of 18.0 percent. Their market volume fell by 2.7 percent to EUR 14.3 billion.



Following at a considerable distance behind the other classes were investment products with **commodities as an underlying**, with a share of 1.4 percent, although their outstanding volume grew by 7.5 percent to EUR 1.1 billion.

At 1.0 percent, the share of investment products with **investment funds as an underlying** was even smaller. Their volume was up 1.0 percent to EUR 779.0 million.

With a share of 0.1 percent, investment products with **currencies as an underlying** had hardly any impact on the overall trend.

Leverage products by underlying

The market volume of leverage products with **equities as an underlying** fell by 5.6 percent to EUR 811 million. Their share of the total volume of leverage products was 48.8 percent.

A decline of 13.0 percent was recorded in the category of leverage products with **indices as an underlying**, which had a market volume of EUR 614 million. They accounted for 37.0 percent of the leverage products market.

Leverage products with **commodities as an underlying** followed at some distance behind equity and index-based securities. Their volume was up 14.6 percent to EUR 177 million, representing 10.6 percent of the total volume of leverage products.

The market volume of leverage products with **currencies as an underlying** was down by 11.5 percent. They accounted for 2.4 percent of the leverage products market, with a market volume of EUR 40 million.

The market volume of leverage products with **interest rates as an underlying** fell by 4.4 percent to EUR 19 million. Their share of the total volume was 1.2 percent. ■

The following companies contributed to the market volume statistics:



Deutscher Derivate Verband (DDV)

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

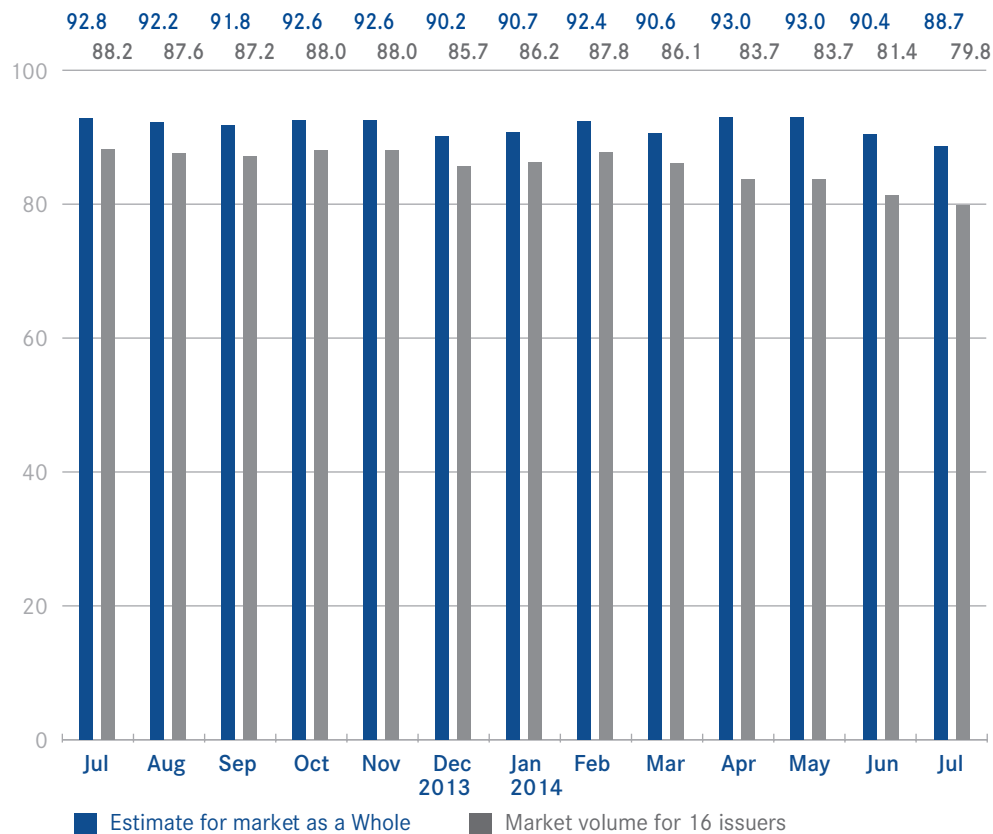
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Market volume since July 2013



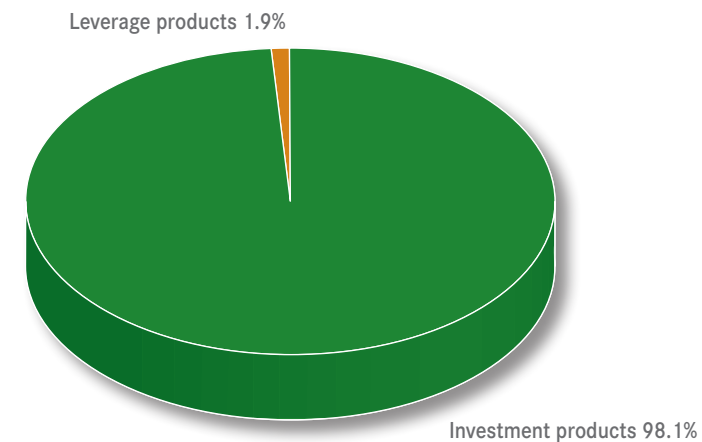
Product classes

Market volume as at 31 July 2014

Product classes	Market volume	Share
	T€	%
Investment products with capital protection	49,872,701	63.8
Investment products without capital protection	28,348,619	36.2
Total Investment products	78,221,319	98.1
Leverage products without Knock-Out	873,490	56.2
Leverage products without Knock-Out	681,933	43.8
Total Leverage products	1,555,423	1.9
Total Derivatives	79,776,742	100.0

Product classes

Market volume as at 31 July 2014

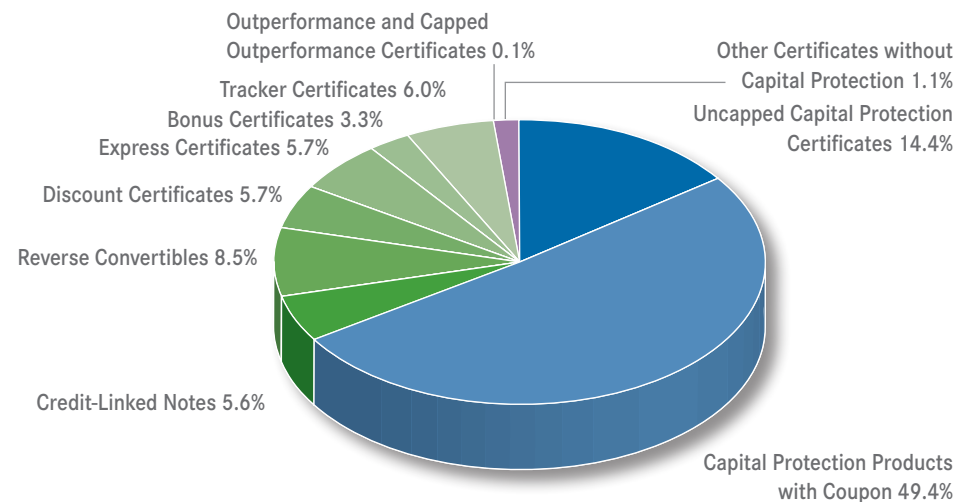


Market volume by product category as at 31 July 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	11,248,973	14.4%	11,278,008	14.3%	3,131	0.7%
■ Capital Protection Products with Coupon	38,623,727	49.4%	38,666,464	49.2%	2,341	0.5%
■ Credit-Linked Notes	4,391,113	5.6%	4,396,353	5.6%	932	0.2%
■ Reverse Convertibles	6,819,061	8.5%	6,933,971	8.8%	79,461	18.6%
■ Discount Certificates	4,462,613	5.7%	4,525,055	5.8%	148,234	34.7%
■ Express Certificates	4,455,547	5.7%	4,504,989	5.7%	4,323	1.0%
■ Bonus Certificates	2,586,116	3.3%	2,624,331	3.3%	185,011	43.3%
■ Tracker Certificates	4,659,952	6.0%	4,730,480	6.0%	2,387	0.6%
■ Outperformance and Capped Outperformance Certificates	93,775	0.1%	96,815	0.1%	701	0.2%
■ Other Certificates without Capital Protection	880,441	1.1%	889,366	1.1%	410	0.1%
Investment products total	78,221,319	98.1%	78,645,832	97.8%	426,931	41.5%
■ Warrants	622,945	40.0%	750,088	41.7%	337,346	56.2%
■ Factor Certificates	250,545	16.1%	274,598	15.3%	1,537	0.3%
■ Knock-Out Warrants	681,933	43.8%	775,373	43.1%	261,722	43.6%
Leverage products total	1,555,423	1.9%	1,800,059	2.2%	600,605	58.5%
Total	79,776,742	100.0%	80,445,892	100.0%	1,027,536	100.0%

Investment products by product category

Market volume as at 31 July 2014

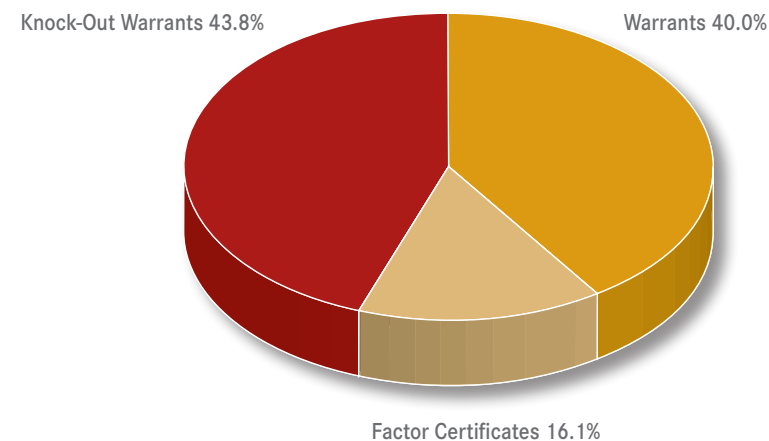


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	
■ Uncapped Capital Protection Certificates	-238,344	-2.1%	-209,309	-1.8%	-0.3%
■ Capital Protection Products with Coupon	-1,489,287	-3.7%	-1,446,550	-3.6%	-0.1%
■ Credit-Linked Notes	770	0.0%	6,010	0.1%	-0.1%
■ Reverse Convertibles	-27,899	-0.4%	87,011	1.3%	-1.7%
■ Discount Certificates	183,156	4.3%	245,599	5.7%	-1.5%
■ Express Certificates	-75,385	-1.7%	-25,942	-0.6%	-1.1%
■ Bonus Certificates	-17,248	-0.7%	20,966	0.8%	-1.5%
■ Tracker Certificates	-152,596	-3.2%	-82,068	-1.7%	-1.5%
■ Outperformance and Capped Outperformance Certificates	-758	-0.8%	2,283	2.4%	-3.2%
■ Other Certificates without Capital Protection	-17,258	-1.9%	-8,333	-0.9%	-1.0%
Investment products total	-1,834,848	-2.3%	-1,410,335	-1.8%	-0.5%
■ Warrants	-51,670	-7.7%	75,474	11.2%	-18.8%
■ Factor Certificates	715	0.3%	24,768	9.9%	-9.6%
■ Knock-Out Warrants	-55,482	-7.5%	37,957	5.1%	-12.7%
Leverage products total	-106,437	-6.4%	138,199	8.3%	-14.7%
Total	-1,941,285	-2.4%	-1,272,136	-1.6%	-0.8%

Leverage products by product category

Market volume as at 31 July 2014



Market volume by underlying asset as at 31 July 2014

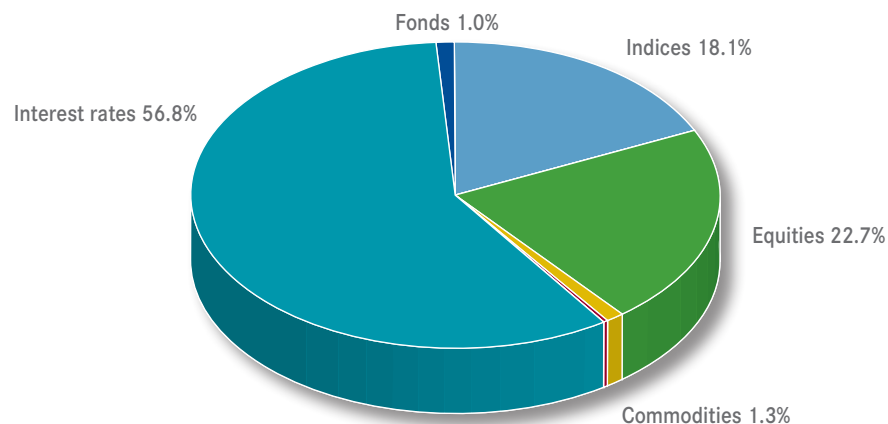
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	14,143,162	18.1%	14,252,302	18.1%	99,747	23.4%
Equities	17,748,847	22.7%	17,998,441	22.9%	321,699	75.4%
Commodities	1,032,689	1.3%	1,049,829	1.3%	1,828	0.4%
Currencies	99,871	0.1%	99,271	0.1%	60	0.0%
Interest rates	44,400,198	56.8%	44,452,640	56.5%	3,473	0.8%
Investment funds	796,552	1.0%	793,349	1.0%	124	0.0%
	78,221,319	98.1%	78,645,832	97.8%	426,931	41.5%
Leverage products						
Indices	599,818	38.6%	677,315	37.6%	129,958	21.6%
Equities	726,684	46.7%	881,549	49.0%	412,562	68.7%
Commodities	161,632	10.4%	177,761	9.9%	28,427	4.7%
Currencies	46,693	3.0%	39,784	2.2%	27,295	4.5%
Interest rates	20,150	1.3%	23,208	1.3%	2,337	0.4%
Investment funds	446	0.0%	443	0.0%	26	0.0%
	1,555,423	1.9%	1,800,059	2.2%	600,605	58.5%
Total	79,776,742	100.0%	80,445,892	100.0%	1,027,536	100.0%

*Market volume adjusted for price changes = quantity outstanding as at 31 July 2014 x price as at 30 June 2014

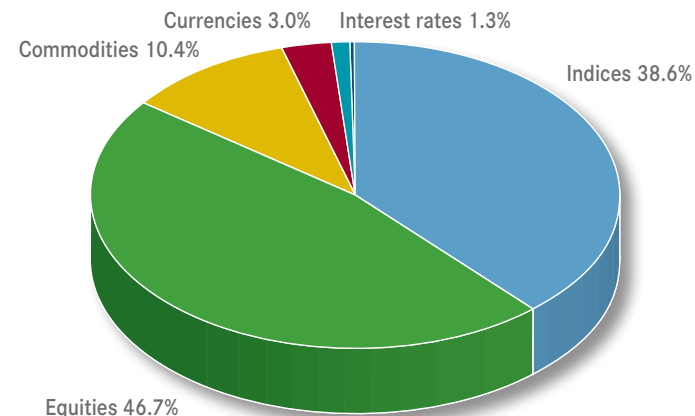
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	-197,226	-1.4%	-88,086	-0.6%	-0.8%
Equities	-48,672	-0.3%	200,921	1.1%	-1.4%
Commodities	-67,058	-6.1%	-49,917	-4.5%	-1.6%
Currencies	-2,939	-2.9%	-3,539	-3.4%	0.6%
Interest rates	-1,536,747	-3.3%	-1,484,304	-3.2%	-0.1%
Investment funds	17,793	2.3%	14,590	1.9%	0.4%
	-1,834,848	-2.3%	-1,410,335	-1.8%	-0.5%
Leverage products					
Indices	-14,442	-2.4%	63,055	10.3%	-12.6%
Equities	-84,789	-10.4%	70,077	8.6%	-19.1%
Commodities	-15,068	-8.5%	1,061	0.6%	-9.1%
Currencies	6,930	17.4%	21	0.1%	17.4%
Interest rates	958	5.0%	4,016	20.9%	-15.9%
Investment funds	-27	-5.8%	-31	-6.4%	0.7%
	-106,437	-6.4%	138,199	8.3%	-14.7%
Total	-1,941,285	-2.4%	-1,272,136	-1.6%	-0.8%

Investment products by underlying asset Market volume as at 31 July 2014



Leverage products by underlying asset Market volume as at 31 July 2014



Collection, validation and analysis methodology

1. Calculation of the market volume

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

2. Calculation of the turnover

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

3. Definition of the retail products covered

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

4. DDV classification system (Derivatives League)

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

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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