

Market Volume

in Derivatives



Structured products market declines in October

Growth recorded in Express Certificates and Reverse Convertibles

There was also a significant decline in the outstanding volume of the German structured products market in October. One of the major reasons for this was the large number of Capital Protection Products with Coupon becoming due for redemption.

Overall, the market volume fell by 1.6 percent, or EUR 1.2 billion, in comparison with September. 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 83.6 billion at the end of October.

There was no change in the **ratio of investment products to leverage products** in comparison with the previous month. Investment products accounted for 97.9 percent of the market volume, while leverage products made up 2.1 percent.

Investment products by product category

The volume of **investment products offering full capital protection** continued to fall in October. The market volume of Capital Protection Products with Coupon fell by 3.7 per-

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Marktvolumen October | 2014

- The total volume of the German structured products market in October was EUR 83.6 billion.
- There was a significant decline in the volume of Capital Protection Products with Coupon resulting from a large number of redemption events.
- Investment products accounted for 97.9 percent of the market volume, while leverage products contributed 2.1 percent.
- Despite losing ground, structured products offering full capital protection remained the dominant investment category. More than 60 percent of investors' money was invested in Capital Protection Products with Coupon and Uncapped Capital Protection Certificates.

cent to EUR 34.6 billion. This represented a share of 47.0 percent of the volume of investment products. The volume of Uncapped Capital Protection Certificates was down 1.8 percent to EUR 10.8 billion. Their market share was 14.7 percent. These two products accounted together for 61.7 percent of the market volume in October.

The market volume of **Reverse Convertibles** increased by 1.0 percent to EUR 6.8 billion. This category had a market share of 9.2 percent.

Express Certificates recorded a growth of 8.9 percent to EUR 4.8 billion. They accounted for 6.5 percent of the market share.

The market volume of **Discount Certificates** gained 4.9 percent to stand at EUR 4.5 billion. This represented a market share of 6.1 percent.

The volume of **Tracker Certificates** was down 2.3 percent and amounted to EUR 4.4 billion. They accounted for 6.0 percent of the market for investment products.

The market volume of **Credit Linked Notes** fell by 2.2 percent to EUR 4.3 billion. They accounted for 5.8 percent of the total volume.

The market volume of **Bonus Certificates** shrank by 2.6 percent to EUR 2.5 billion, representing a 3.4 percent share of the investment products market.

Outperformance and Capped Outperformance Certificates fell by 3.4 percent to EUR 94 million. However, with its very small share of 0.1 percent of the total volume, this category had hardly any impact on the overall trend in the investment products segment.

The volume of **other yield enhancement products** (i.e. investment products without capital protection) fell by 1.3 percent to EUR 815 million. They accounted for 1.1 percent of the total volume.

Leverage products by product category

The market volume of **leverage products** dropped 5.5 percent to EUR 1.5 billion in October. This was due to losses experienced in Knock-Out Warrants and Factor Certificates.

At EUR 660 million the volume invested in **Knock-Out Warrants** was down 11.6 percent. This category had a share of 42.7 percent of the total volume of the leverage products segment.

A growth of 0.9 percent was recorded in the **Warrants** category. The volume rose to EUR 634 million, representing 41.0 percent of the total.

The volume of **Factor Certificates** experienced a 3.4 percent loss to EUR 253 million. This gave them a share of 16.4 percent of the leverage products market.

Investment products by underlying

Structured products with **interest rates as an underlying** remained the most popular category in October. Their volume shrank by 3.4 percent to EUR 40.2 billion. Despite these losses, they still made up over half the total investment products volume, at 54.6 percent.

Investment products with **equities as an underlying** followed in second place, with a share of 23.6 percent. Their volume was down 0.3 percent, at EUR 17.4 billion. ▶▶

Indices as an underlying followed in third place. Their market volume shrank by 2.5 percent to EUR 14.3 billion. They accounted for 19.4 percent of the investment products market.

Following at a considerable distance behind the other classes were investment products with **commodities as an underlying**, which made up 1.2 percent. Their market volume was down 7.4 percent, at EUR 886 million.

At 0.9 percent, the share of investment products with **investment funds as an underlying** was even lower. Their volume dropped by 1.9 percent in October, to EUR 685 million.

Investment products with **currencies as an underlying** had hardly any impact on the overall trend, with a share of 0.2 percent.

Leverage products by underlying

The market volume of leverage products with **equities as an underlying** fell by 7.6 percent to EUR 736 million. Their

share in the total volume of leverage products was 47.6 percent.

A decrease was also recorded in leverage products with **indices as an underlying**. At EUR 595 million, their market volume was down 2.6 percent. This represented a share of 38.5 percent of the total volume of leverage products.

Lagging some way behind equity and index securities were leverage products with **commodities as an underlying**. Their volume decreased by 8.0 percent to EUR 115 million. Their share in the total volume of leverage products was 7.4 percent.

Leverage products with **currencies as an underlying** were down 3.5 percent, resulting in a market volume of EUR 85 million. This represented a share of 5.5 percent of the market.

The market volume of leverage products with **interest rates as an underlying** fell by 8.2 percent to EUR 16 million. They accounted for 1.0 percent of the total volume. ■

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.

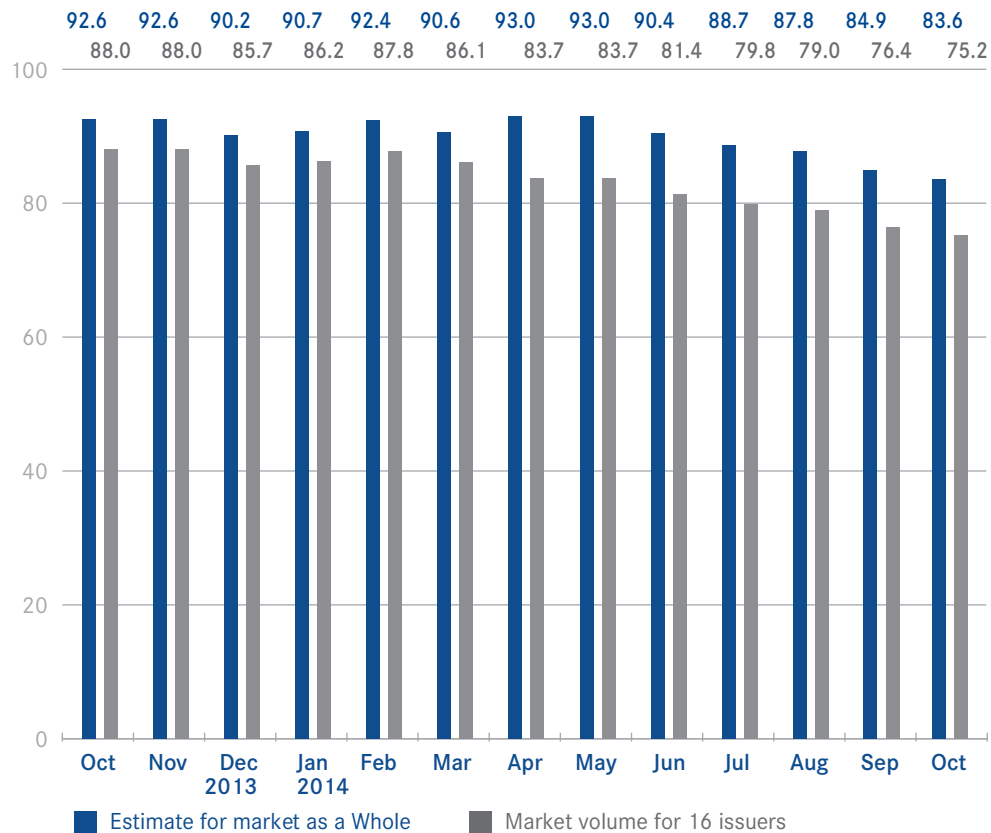
Office Berlin, Pariser Platz 3, 10117 Berlin
Office Frankfurt a.M., Feldbergstr. 38, 60323 Frankfurt a.M.

Please address any queries to:

Barbara Wiesneth, Press Secretary
phone: +49 (69) 244 33 03 – 70, mobile phone: +49 (172) 724 21 53
wiesneth@derivateverband.de

www.derivateverband.de

Market volume since October 2013



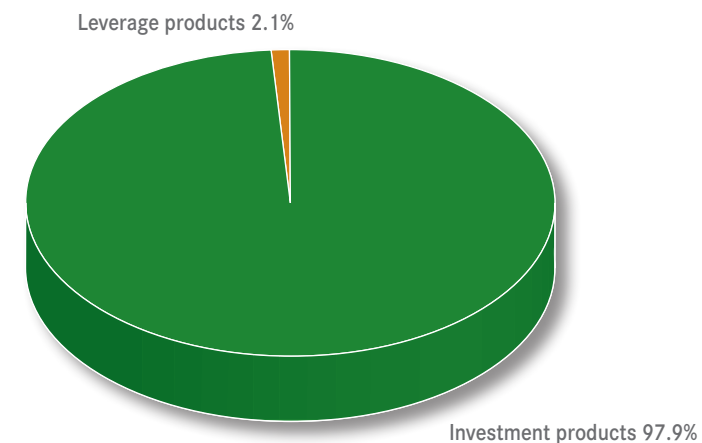
Product classes

Market volume as at 31 October 2014

Product classes	Market volume	Share
	€	%
Investment products with capital protection	45,400,673	61.6%
Investment products without capital protection	28,255,913	38.4%
Total Investment products	73,656,585	100.0%
Leverage products without Knock-Out	887,198	57.3%
Leverage products with Knock-Out	659,888	42.7%
Total Leverage products	1,547,087	100.0%
Total Investment products	73,656,585	97.9%
Total Leverage products	1,547,087	2.1%
Total Derivatives	75,203,672	100.0%

Product classes

Market volume as at 31 October 2014

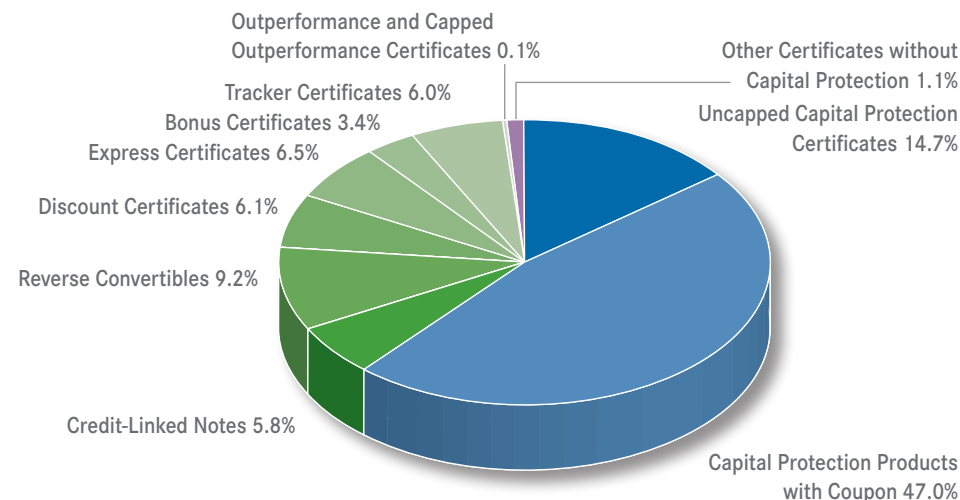


Market volume by product category as at 31 October 2014

Product categories	Market volume		Market volume price-adjusted		Number of Products	
	T€	in %	T€	in %	#	in %
■ Uncapped Capital Protection Certificates	10,800,465	14.7%	10,834,734	14.6%	3,014	0.7%
■ Capital Protection Products with Coupon	34,600,207	47.0%	34,645,281	46.8%	2,264	0.5%
■ Credit-Linked Notes	4,307,500	5.8%	4,319,442	5.8%	994	0.2%
■ Reverse Convertibles	6,810,262	9.2%	6,872,310	9.3%	83,667	18.5%
■ Discount Certificates	4,498,359	6.1%	4,521,343	6.1%	154,359	34.1%
■ Express Certificates	4,782,174	6.5%	4,832,191	6.5%	4,554	1.0%
■ Bonus Certificates	2,507,578	3.4%	2,534,113	3.4%	199,938	44.2%
■ Tracker Certificates	4,441,155	6.0%	4,503,489	6.1%	2,344	0.5%
■ Outperformance and Capped Outperformance Certificates	93,736	0.1%	96,764	0.1%	800	0.2%
■ Other Certificates without Capital Protection	815,149	1.1%	819,001	1.1%	432	0.1%
Investment products total	73,656,585	97.9%	73,978,670	97.8%	452,366	41.6%
■ Warrants	633,744	41.0%	681,362	41.4%	344,230	54.2%
■ Factor Certificates	253,454	16.4%	284,793	17.3%	1,902	0.3%
■ Knock-Out Warrants	659,888	42.7%	680,085	41.3%	289,221	45.5%
Leverage products total	1,547,087	2.1%	1,646,241	2.2%	635,353	58.4%
Total	75,203,672	100.0%	75,624,911	100.0%	1,087,719	100.0%

Investment products by product category

Market volume as at 31 October 2014

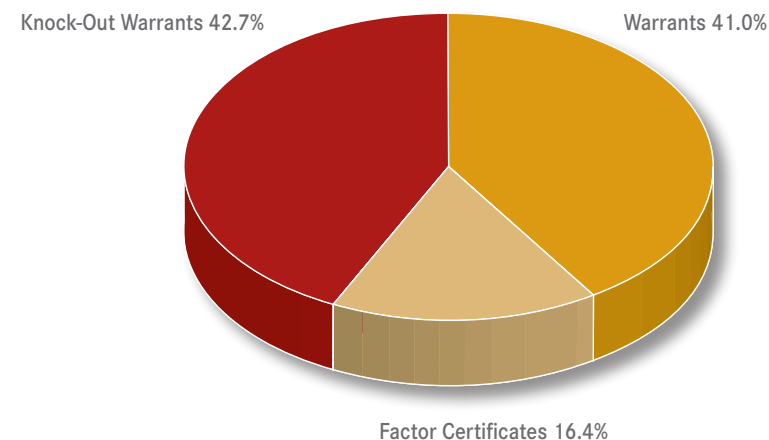


Change in market volume by product category in comparison with previous month

Product categories	Change		Change price-adjusted		Price effect
	T€	in %	T€	in %	in %
■ Uncapped Capital Protection Certificates	-197,827	-1.8%	-163,558	-1.5%	-0.3%
■ Capital Protection Products with Coupon	-1,319,130	-3.7%	-1,274,056	-3.5%	-0.1%
■ Credit-Linked Notes	-97,642	-2.2%	-85,701	-1.9%	-0.3%
■ Reverse Convertibles	68,368	1.0%	130,416	1.9%	-0.9%
■ Discount Certificates	209,261	4.9%	232,245	5.4%	-0.5%
■ Express Certificates	391,830	8.9%	441,847	10.1%	-1.1%
■ Bonus Certificates	-65,847	-2.6%	-39,312	-1.5%	-1.0%
■ Tracker Certificates	-104,508	-2.3%	-42,175	-0.9%	-1.4%
■ Outperformance and Capped Outperformance Certificates	-3,340	-3.4%	-311	-0.3%	-3.1%
■ Other Certificates without Capital Protection	-10,859	-1.3%	-7,007	-0.8%	-0.5%
Investment products total	-1,129,695	-1.5%	-807,611	-1.1%	-0.4%
■ Warrants	5,351	0.9%	52,969	8.4%	-7.6%
■ Factor Certificates	-8,965	-3.4%	22,375	8.5%	-11.9%
■ Knock-Out Warrants	-86,873	-11.6%	-66,676	-8.9%	-2.7%
Leverage products total	-90,486	-5.5%	8,668	0.5%	-6.1%
Total	-1,220,181	-1.6%	-798,943	-1.0%	-0.6%

Leverage products by product category

Market volume as at 31 October 2014



Market volume by underlying asset as at 31 October 2014

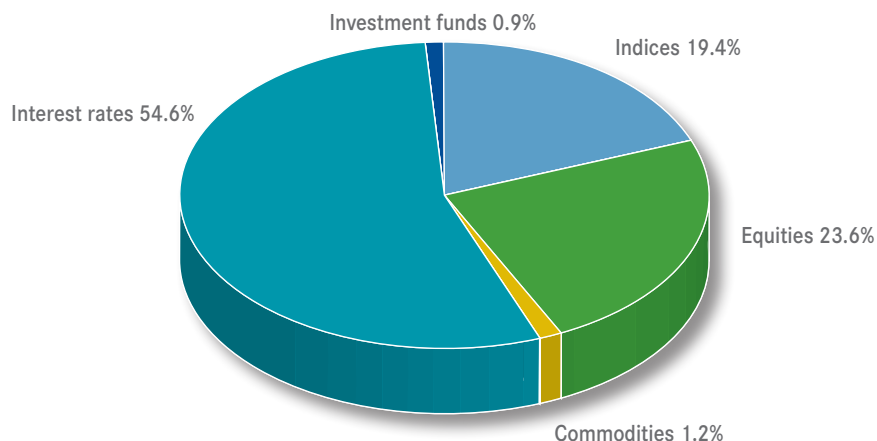
Underlying	Market volume		Market volume price-adjusted*		Number of Products	
	T€	%	T€	%	#	%
Investment products						
Indices	14,290,690	19.4%	14,344,285	19.4%	108,686	24.0%
Equities	17,381,833	23.6%	17,541,503	23.7%	338,195	74.8%
Commodities	885,662	1.2%	926,250	1.3%	1,863	0.4%
Currencies	168,537	0.2%	168,370	0.2%	64	0.0%
Interest rates	40,244,856	54.6%	40,303,794	54.5%	3,442	0.8%
Investment funds	685,007	0.9%	694,467	0.9%	116	0.0%
	73,656,585	97.9%	73,978,670	97.8%	452,366	41.6%
Leverage products						
Indices	595,012	38.5%	641,670	39.0%	159,618	25.1%
Equities	736,203	47.6%	776,655	47.2%	416,010	65.5%
Commodities	114,780	7.4%	130,109	7.9%	27,734	4.4%
Currencies	84,881	5.5%	79,640	4.8%	29,308	4.6%
Interest rates	16,130	1.0%	18,087	1.1%	2,666	0.4%
Investment funds	80	0.0%	80	0.0%	17	0.0%
	1,547,087	2.1%	1,646,241	2.2%	635,353	58.4%
Total	75,203,672	100.0%	75,624,911	100.0%	1,087,719	100.0%

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

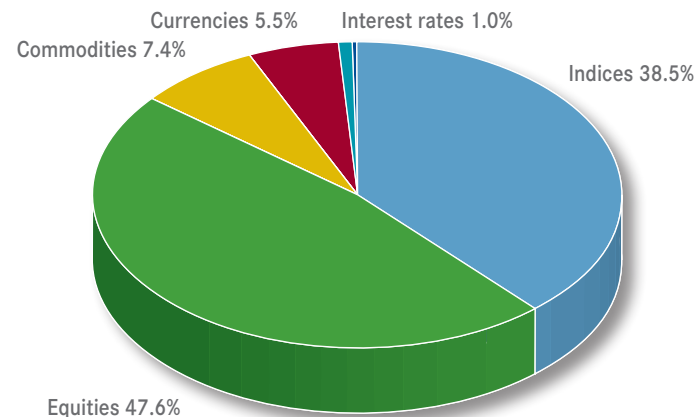
Change in the market volume by underlying asset in comparison with previous month

Underlying	Change		Change price-adjusted		Price effect
	T€	%	T€	%	
Investment products					
Indices	352,582	2.5%	406,176	2.9%	-0.4%
Equities	-52,648	-0.3%	107,022	0.6%	-0.9%
Commodities	-70,961	-7.4%	-30,373	-3.2%	-4.2%
Currencies	65,598	63.7%	65,431	63.6%	0.2%
Interest rates	-1,410,968	-3.4%	-1,352,030	-3.2%	-0.1%
Investment funds	-13,297	-1.9%	-3,837	-0.5%	-1.4%
	-1,129,695	-1.5%	-807,611	-1.1%	-0.4%
Leverage products					
Indices	-15,639	-2.6%	31,020	5.1%	-7.6%
Equities	-60,256	-7.6%	-19,805	-2.5%	-5.1%
Commodities	-10,012	-8.0%	5,317	4.3%	-12.3%
Currencies	-3,122	-3.5%	-8,363	-9.5%	6.0%
Interest rates	-1,436	-8.2%	521	3.0%	-11.1%
Investment funds	-22	-21.8%	-22	-21.2%	-0.6%
	-90,486	-5.5%	8,668	0.5%	-6.1%
Total	-1,220,181	-1.6%	-798,943	-1.0%	-0.6%

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



Leverage products by underlying asset Market volume as at 31 October 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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