

## Media release

### **Review finds high level of compliance with Derivatives Code Academic advisory board presents final report**

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Deutscher Derivate Verband (DDV), the German Derivatives Association, has published the results of its review of compliance with the Derivatives Code for its member banks. Two reviews carried out since April 2010 show that certificate issuers have increased their level of compliance with the code from 90.5 percent to 98.3 percent. The Derivatives Code is a voluntary commitment by members of DDV, which represent around 95 percent of the certificates market in Germany. The code sets guidelines for structuring, issuing, distributing, marketing and trading in derivative securities.

The review was carried out by an academic advisory board chaired by Professor Dr Dirk Schiereck, Head of the Department of Corporate Finance at the Technische Universität Darmstadt, Germany. The other members of the advisory board are Professor Dr Sigrid Müller, Director of the Institute of Finance at Humboldt Universität zu Berlin, Germany, and Professor Dr Lutz Johanning, Chair of Empirical Capital Market Research at WHU – Otto Beisheim School of Management in Vallendar, Germany. Among other things, the advisory board's review covered the quality and comprehensiveness of the information provided, the continuous tradability of the certificates, the price/quality relationship and disclosure of fees and commissions.

In its final assessment, the advisory board recommended that the Derivatives Code be developed on an ongoing basis and continually adapted to new capital market conditions and regulatory requirements. The final report on the Derivatives Code compliance review can be downloaded (in German) as a PDF document at [www.derivateverband.de/DEU/Politik/DerivateKodex](http://www.derivateverband.de/DEU/Politik/DerivateKodex). It contains precise details of the methods used in the review, as well as detailed results of both evaluation rounds.

#### **Code review as a step towards active self-regulation**

Explaining the objectives of the code and the review, Dr Hartmut Knüppel, CEO and Member of the Board of Directors of DDV, said: "Developing the Derivatives Code and subjecting it to review by independent academic experts are important steps towards an active process of self-regulation. They make state regulation largely redundant."

The advisory board first monitored compliance with the criteria contained in the code in April 2010, on the basis of 23 questions. In June 2010, it gave information to all issuers on the findings of the first evaluation. Overall, DDV member banks achieved a compliance rate of 90.5 percent. The second review of the code began in October 2010. The issuers ultimately increased their compliance rate to 98.3 percent.

The main criticism made by the advisory board concerned the failure of some issuers to disclose market volumes. “The shortcomings initially identified were addressed immediately and in the main corrected by the issuers, leading to a significant improvement in results in the second review. This meant that the review of the Derivatives Code resulted in more transparency, which is of direct benefit to investors,” commented Professor Dr Dirk Schiereck, chairperson of the advisory board.

### **Further development of the Derivatives Code**

In its assessment, the advisory board stressed that the Derivatives Code gives private investors a clear summary of their investors’ rights. This, they said, provides great added value. The advisory board also recommended that the Derivatives Code be developed further, constantly bearing in mind the fact that it must be possible to check compliance with any new elements of the code. “Our job does not end with this evaluation. We have developed a method, tailored to the certificates market, which is suitable for regular reviews of the Derivatives Code,” explained Professor Dr Sigrid Müller. In the next step, the advisory board will make specific recommendations for the further development of the Derivatives Code.

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the 18 leading issuers of derivative securities in Germany: Barclays, BNP Paribas, Citigroup, Commerzbank, Deutsche Bank, DZ BANK, Goldman Sachs, HSBC Trinkaus, HypoVereinsbank, J.P. Morgan, LBBW, MACQUARIE, Royal Bank of Scotland, Société Générale, UBS, Vontobel, WestLB and WGZ BANK. The Association’s work is supported by ten sponsoring members, which include the Stuttgart and Frankfurt am Main stock exchanges, finance portals and service providers.

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