

Media Release

Certificates industry intensifies voluntary commitment New Fairness Code stipulates all-round product and cost transparency

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“The certificates industry is now at the leading edge in terms of the comprehensibility and transparency of its products. With our new voluntary commitment we also wish to contribute to an appropriate and target-oriented regulation which offers private investors real added value”, said Hartmut Knüppel, CEO and Member of the DDV Board of Directors. The members of Deutscher Derivate Verband (DDV), the German Derivatives Association, adopted the key points of a new Fairness Code at their general meeting on *28 August 2013*. This Code is a voluntary undertaking by the members of DDV, who represent 95 percent of the certificates market in Germany. The new Fairness Code contains significantly stricter guidelines for structured securities than the previous Derivatives Code. This applies in particular to voluntary commitments as regards cost and product transparency for investment certificates.

“With the Fairness Code we also intend to send a strong signal with regard to the regulatory projects at European level and lead by example in Germany”, Hartmut Knüppel explained. The members therefore agreed that in future the issuer estimated value (IEV) should be shown as a percentage or in euro in the product information sheets of investment products. The difference between the IEV and the issue price of the product plus a front-end load, where applicable, should include all the costs of the product. These include inter alia the structuring costs, the expected hedging costs, the anticipated issuer margin and any sales commission.

“By showing the issuer estimated value we provide maximum cost transparency for private investors. In this we are the pioneers for all types of securities and financial products in Germany and other European countries. No other industry so far has subjected itself to such strict voluntary commitment as regards cost transparency”, said Christian Vollmuth, Managing Director at DDV.

The certificates industry has agreed on a further milestone in product transparency. In future, where investment products with full capital protection are concerned which have a minimum and a maximum interest yield, the issuers are to state the respective probabilities in the product information sheet. “No other provider of capital-protected financial products has so far been willing to make this disclosure”, Hartmut Knüppel emphasised.

In the new Fairness Code the members once more expressly undertake to design their structured securities fairly. They should ensure that there is a balance between potential returns and risk. The members must also not promote any product features which only occur under very unlikely circumstances.

With the resolution the general meeting of DDV adopted the key points of the new Fairness Code as a first step. These will be still further defined in a second step in the next fortnight. The Fairness Code is then to be finally adopted at the next general meeting on 16 September 2013.

Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the leading issuers of derivative securities in Germany, who represent approximately 95 percent of the German certificates market: 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 ten sponsoring members, which include the Stuttgart and Frankfurt Stock Exchanges, finance portals and other service providers.

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