

Media release

Issuer survey 2014 / 2015

Structured products issuers satisfied with performance in 2014

Every second issuer considers gains in the DAX stock index are likely /
Majority of issuers expect increase in regulatory burden

Frankfurt am Main, Germany, 18 December 2014

The majority of structured product issuers in Germany say their structured products business performed better in 2014 than in the previous year. Most issuers also expect their business to perform at least as well in the coming year, but they also anticipate an increase in the regulatory burden owing to the more stringent legislative and supervisory requirements. These are some of the findings from the latest annual survey conducted by Deutscher Derivate Verband (DDV), the German Derivatives Association, among 23 issuers representing more than 95 percent of the market for structured securities.

While more than one in every two issuers considers its structured products business to have performed better in 2014 than in the previous year, 39 percent see no change. Only 4 percent judge their business to have performed worse than in 2013. More than half of the issuers expect their business performance to remain unchanged in the first half of 2015. More than one in three is confident and expects an improvement. Only 9 percent fear that their structured products business will worsen in the future.

Commenting on the market trend, Lars Brandau, Managing Director at DDV, said: 'There was a decline in structured products offering full capital protection in 2014, because the prolonged low interest-rate environment resulted in unattractive offer conditions. However, there was a definite upturn in conventional investment products – mainly Reverse Convertibles, Discount and Bonus Certificates. The yields of these products are directly dependent on the equity market, but they have built-in hedging functions to mitigate the equity risk.'

With regard to the DAX blue-chip index, the most popular underlying among investors in structured products, no issuer expects a large increase in prices, although every second issuer expects Germany's key index to gain in the first half of 2015. Thirty percent of survey participants do not expect any great change in the DAX, while 13 percent expect prices of DAX-listed equities to fall, and 9 percent expect prices to fall sharply.

Increasing regulatory burden

More than 60 percent of issuers think it is likely that there will be a slight increase in the costs associated with the regulation of structured products by legislature and supervisory authorities in the coming year. Twenty-two percent of those surveyed expect a sharp increase in the regulatory burden, while 13 percent do not expect any change. Only 4 percent expect a significant decrease.

Christian Vollmuth, also Managing Director at DDV, commented: 'Of course, all investors have to be protected against risks that they cannot anticipate. Transparency and comprehensibility are of the utmost importance. We need good regulation, but too much regulation distorts competition. Only large issuers are able to bear the increasing regulatory burden in the longer term. Small issuers can hardly afford it any more. We are faced with an important question: whether more regulation will result in less competition.'

Stiffer competition

Indeed, according to the survey, 78 percent of issuers currently feel the competitive environment is tougher. The same percentage expect competition to remain intense in 2015. One-third of the issuers surveyed anticipate that some structured product issuers will exit the market in the next 12 months. Fifty-six percent believe the number of issuers will remain unchanged in the next year, while only 9 percent expect new issuers to enter the market.

More than one in every two producers believes that the competition will be concentrated on the services provided. However, 35 percent are convinced that the pressure on the prices of structured products will increase further. Thirteen percent anticipate that increased productivity will be the decisive factor in the success of an issuer.

Positive experience the most important factor in the choice of a product

According to 65 percent of issuers, positive past experience with the relevant structured products issuer is the most important factor in an investor's choice of product. Credit ratings are considered to be relatively unimportant. More than 30 percent of structured products issuers believe that credit ratings are the least important criterion in a retail investor's choice of a product.

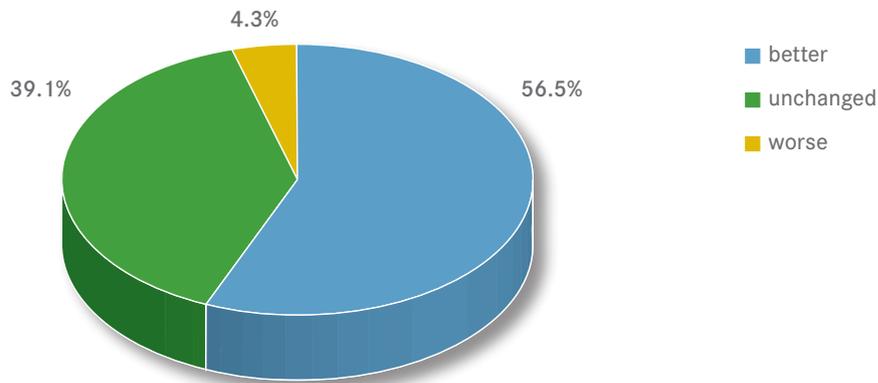
Greater demand for Express Certificates and Credit Linked Notes

Forty-three percent of issuers expect the highest growth in the coming year to be in Express Certificates. Seventeen percent expect retail investors to invest more in Credit Linked Notes. While 13 percent of issuers consider Capital Protection Products with Coupon to be the most popular investment product, 9 percent feel Bonus Certificates are more popular. More than one in every two issuers feels that, of the leverage products, demand for Factor Certificates will be the highest.

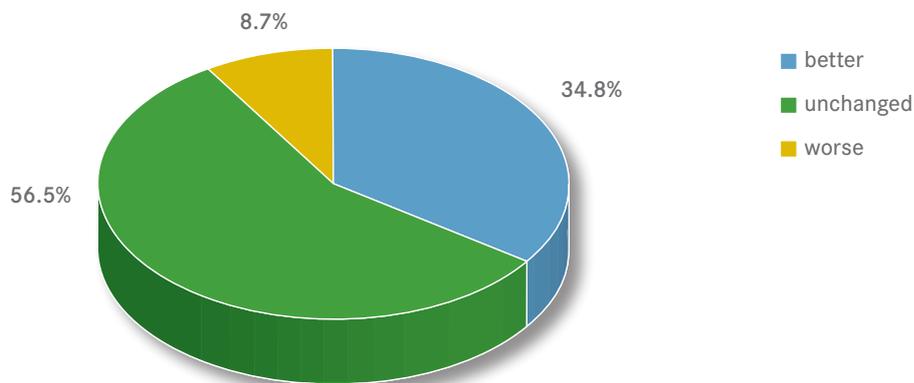
Indices the most popular underlying asset

According to fifty-two percent of issuers, indices will be investors' first choice as an underlying for investment products, while 35 percent feel most investors will probably choose equities. None of those surveyed expects commodities to be among the most popular underlying assets for investment products. Indices are also the most popular underlying for leverage products, according to 56 percent of issuers.

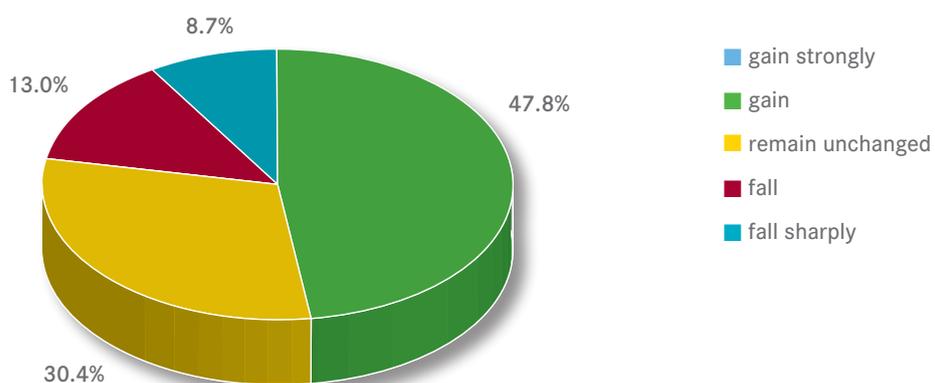
How did the structured products segment perform in 2014, in comparison with the previous year?



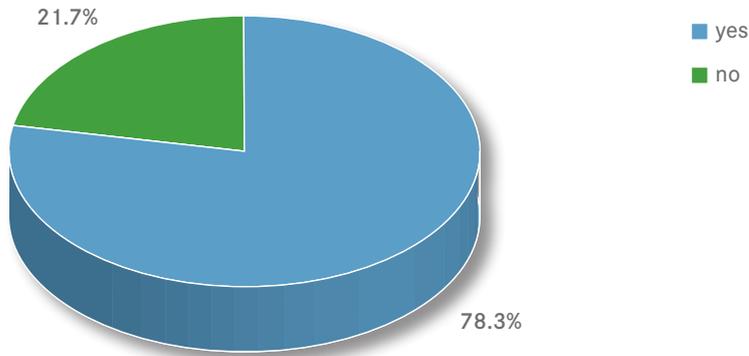
How do you expect the segment to perform in the first half of 2015?



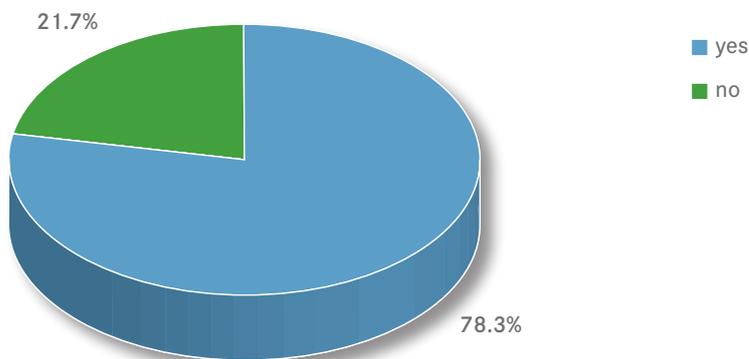
How do you think the DAX blue-chip index will perform in the first half of 2015?



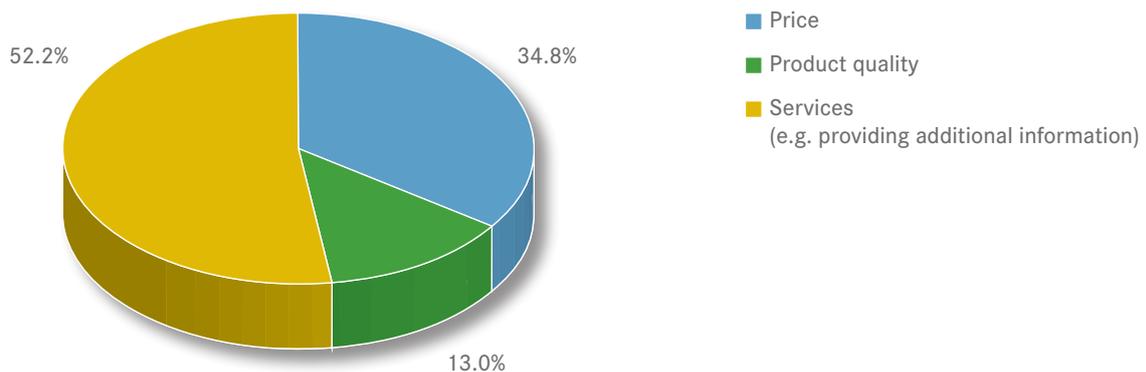
Would you agree with the following statement? Competition in the structured products sector intensified in 2014.



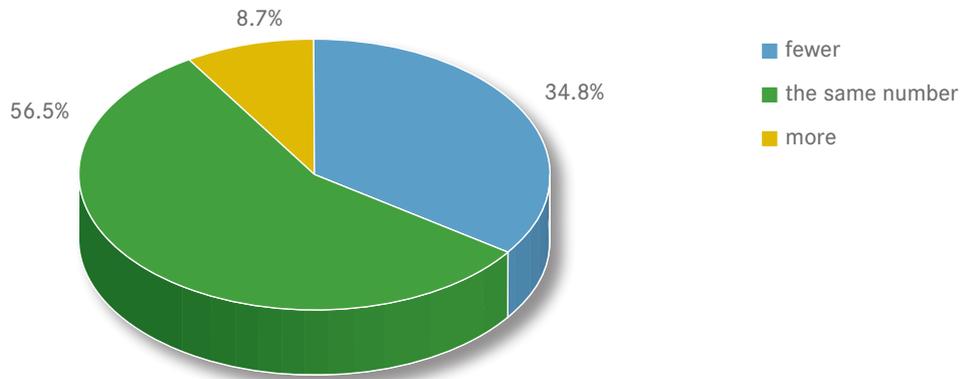
Would you agree with the following statement? Competition in the structured products sector will intensify in 2015.



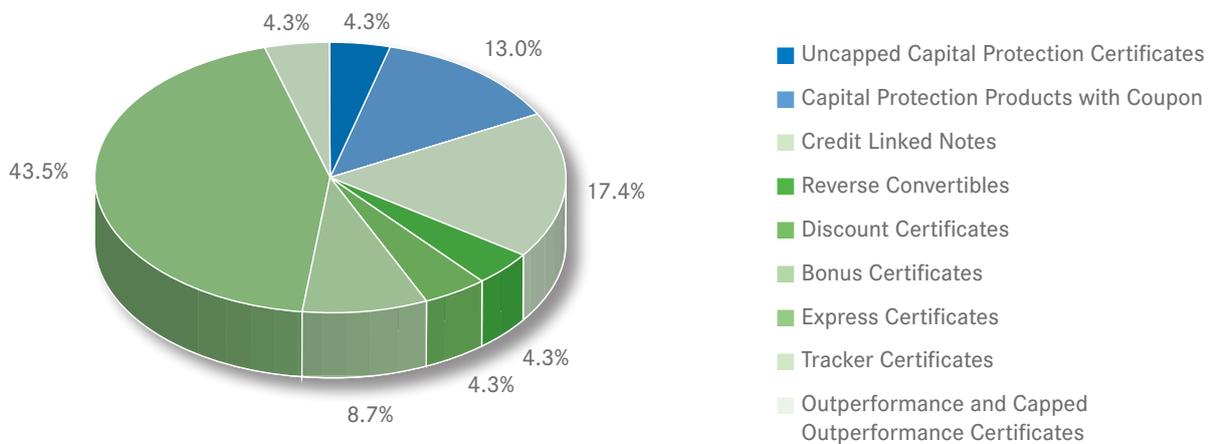
What will give issuers a critical competitive advantage?



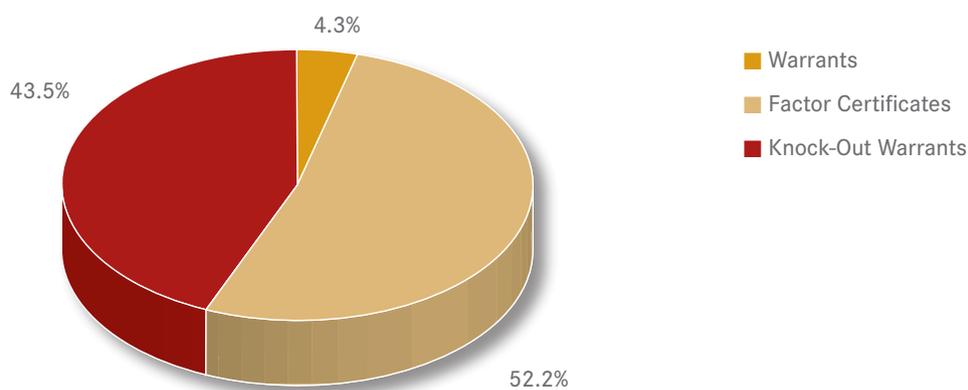
How many structured products issuers will there be in Germany next year?



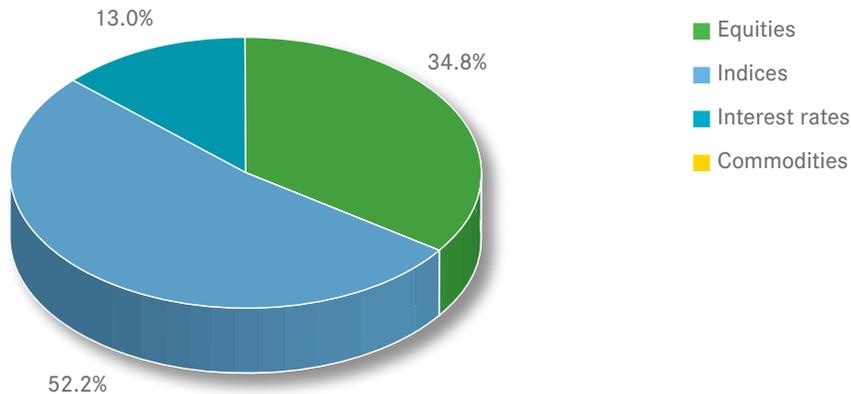
Which investment products will experience the strongest growth in the coming year?



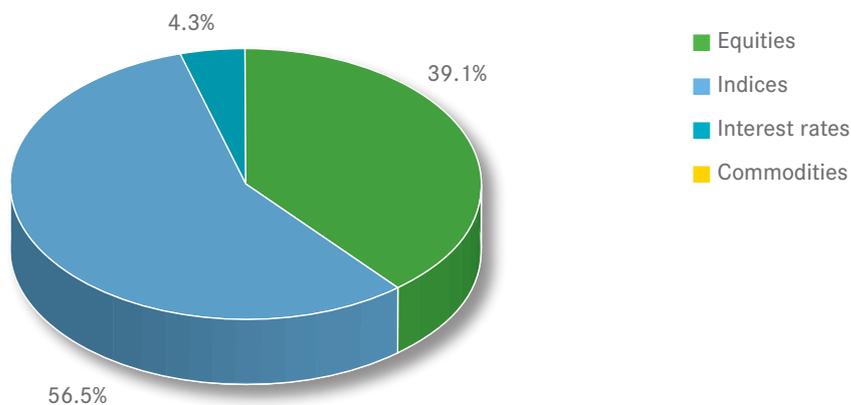
Which leverage products will experience the strongest growth in the coming year?



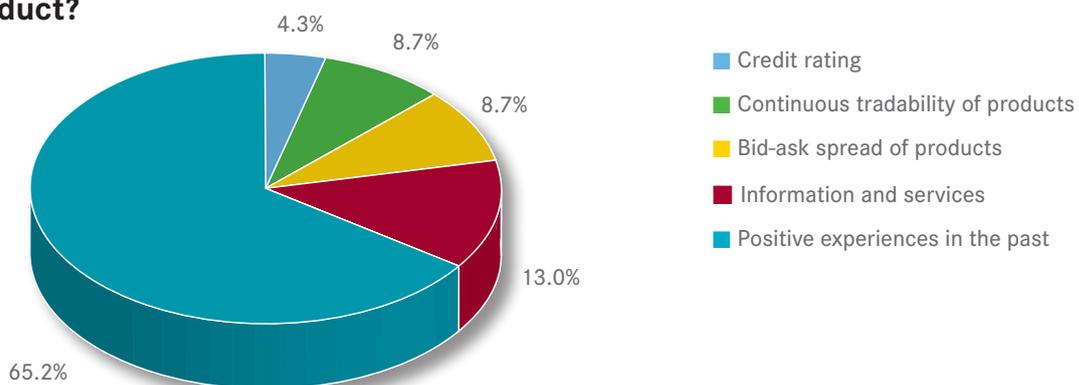
Which underlying assets will most retail investors choose for investment products in 2015?



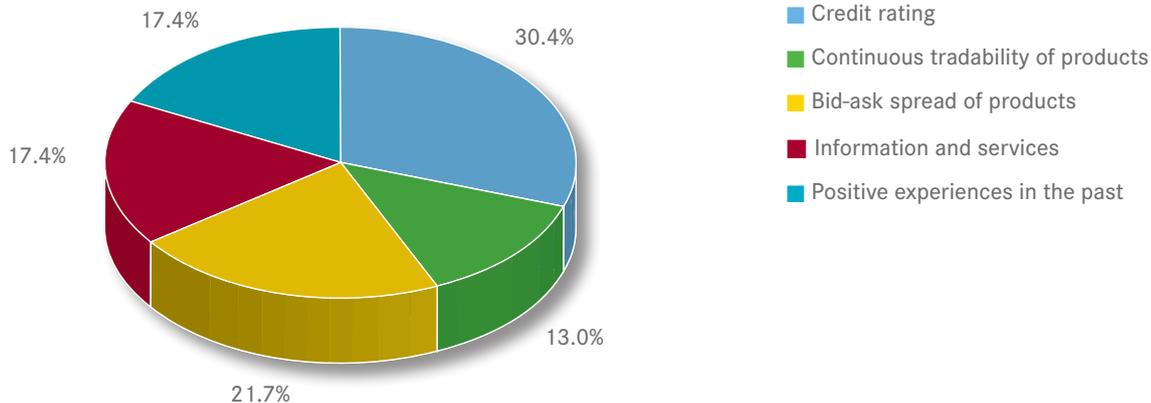
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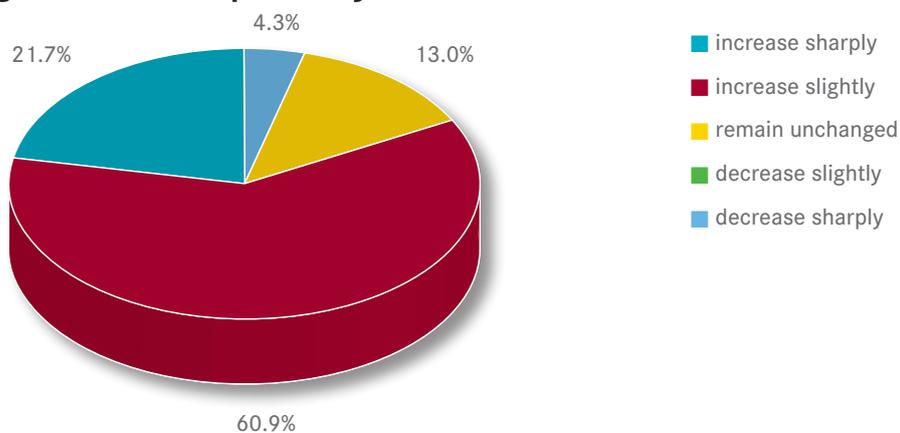
What do you think is most important to retail investors choosing a structured product?



What do you think is least important to retail investors choosing a structured product?



Next year the cost to issuers associated with the regulation of structured products by legislature and supervisory authorities will



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 90 percent of the German structured products 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 nine sponsoring members, which include the Stuttgart and Frankfurt Exchanges, finance portals and other service providers.

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