Structured Products from A to Z
Accrued interest
Accrued interest paid by the buyer of a bond to the seller and represents the interest that has accumulated between the last payment date and the time of purchase.

After-hours market
The after-hours market or after-hours trading refers to trading after the official closing of the stock market. This is usually carried out between individual banks via electronic trading systems.

After-hours trading
See “After-hours market.”

Agio
see “Premium”.

All-time high
The all-time high is the highest price or level a security, index, commodity, future or currency has reached in its history.

All-time low
The all-time low is the lowest price or level a security, index, commodity, future or currency has reached in its history.

American Depositary Receipt
American Depositary Receipts (ADR) or American Depositary Shares (ADS) are share certificates and deposit certificates issued, traded and denominated in US dollars by US custodian banks derived from shares in non-US companies deposited with them. ADR are typically issued in a ratio of 1:1 for 100 foreign shares. They make trading in non-US companies simpler, cheaper and quicker. For companies not domiciled in the US, ADR have the advantage that the company does not need to undergo the full admission procedures of the United States Securities and Exchange Commission (SEC) in order to obtain a stock market listing.

American Depositary Share
see “American Depositary Receipt”.

American-style option
In an American-style option, the option right may be exercised at any time during the entire term of the option. With a call option the investor may buy the share at any time at the exercise price, while with a put option the investor may sell the share at any time at the exercise price.

Annual general meeting
An annual general meeting (AGM) is a meeting of the shareholders and the highest decision-making body of a stock corporation. A stock corporation
has a duty to provide information to its shareholders; under the German Stock Corporation Act (Aktiengesetz), it must carry out this duty once a year at an annual general meeting. The most important powers of the annual general meeting include appointing the supervisory board, deciding on profit allocation and discharging the supervisory board and executive board.

Arbitrage
Arbitrage (from Latin: arbitrates = discretion, free choice, free judgement) means exploiting price differences for the same securities on different markets on the same trading day. Arbitrage leads to convergence of prices. Computer trading and the virtually simultaneous publishing of news have made arbitrage more difficult than in the past.

Asian option
The Asian option or average rate option is an exotic option whose value does not depend only on the underlying at the end of the term but also on the average price of the underlying over a defined period.

Ask
This indicates an offer to sell – in German, the term “Brief” (“B” for short) is used. A letter “B” after the current price thus indicates that investors would like to sell the stock at this price but have not yet found a buyer. A “bB” (German = bezahlt Brief, literally “paid ask”) following the price indicates that some sales have taken place but that shares are still available to sell.

Asset class
An asset class is an investment segment (e.g. equities, commodities) on the capital market.

Asset management
A service in which an asset manager invests the assets of investors at his own discretion while observing agreed investment guidelines. The aim of asset management is to achieve the best possible return.

At best order
Unlimited sell order or instruction to a broker or bank to sell a security at the best (i.e. highest) possible price that can be achieved at the time of the order. No minimum limit is specified for the sale.

At the market
A purchase or sale “at the market” means a purchase or sale to be executed immediately at the best possible price. The corresponding order with the bank or broker is called a “market order”.

At the money
A warrant is described as “at the money” when the current price of the underlying is close to the strike.

Average rate option
see “Asian option”.

Asset allocation
Asset allocation is the distribution of assets between different asset classes such as shares, bonds, currencies or commodities in order to reduce the risk associated with investing.

Asset-backed securities
Asset-backed securities are securities whose value is collateralised by underlying assets (e.g. loan receivables).
**Backwardation**
Backwardation is a term used on the commodity markets. It refers to a price structure in which the price of a current futures contract is higher than the price of a futures contract with a more distant delivery date (antonym: “contango”).

**BaFin**
see “Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)”.

**Balance**
The balance is the difference between the debit and credit entries in an account. If debit amounts exceed credit amounts, the account is said to have a debit balance. The opposite case is known as a credit balance.

**Bar chart**
The bar chart is a graphical representation of the price development in which the fluctuation of the prices of each day is represented by a vertical bar. It displays lows, highs, opening prices and closing prices. This helpful illustration enables investors to clearly see the level of volatility and identify changes in the supply and demand situation.

**Barrier**
For barrier products, the barrier is a predetermined price level that may not be reached or breached. If this barrier is breached, a barrier event takes place. For example, the holder of a bonus certificate may lose its claim to payment of the bonus amount.

**Barrier warrant**
Barrier warrants are exotic options whose option right is either activated or lapses if the underlying is greater or less than predetermined barriers.

**Basket**
Investment products are not always based on a single underlying but can participate in a basket with various different underlyings such as equities, indices or commodities. The composition of the basket is determined by the issuer before launching the product. A static or passive basket is one whose components and weighting is not changed during the term of the product. An active basket is one in which the issuer may change the weighting of the individual components or vary the composition of securities in the basket.

**Basket certificate**
see “Theme certificate”.

**Bear**
The bear symbolises falling prices on the stock markets. One explanation for the expression is the downward swipe of a bear’s paws as it lashes
out. Investors who expect falling prices are named "bears".

**Bear call spread**
A bear call spread is an option strategy with limited risks but also limited opportunities for profit. This strategy is used if a trader expects prices to fall moderately. It is formed by purchasing a cheaper call option with a higher exercise price and selling a more expensive call option with the same maturity and a lower exercise price (in the money). Selling the call option involves the risk that the investor will suffer a loss in the event of a sharp increase in prices. However, the investor reduces the risk of loss by purchasing a call option at a higher strike and lower option premium. If prices fall as expected, the investor achieves a profit as no option is exercised. The investor sells the option for more money than it cost to purchase it.

**Bearish**
An investor with bearish expectations generally anticipates that prices will fall.

**Bear market**
A period of sustained price declines.

**Bear trap**
Technical analysts describe a bear trap as a false sell signal. The price falls briefly below a signal level before quickly rising in the opposite direction. (Antonym: “bull trap”)

**Bid**
The bid price, or bid, is the name for the price at which the investor is willing to buy a security. The bid price is always below the ask price.

**Bid-ask spread**
The bid-ask spread is the difference between the buying and selling price of a security. The bid-ask spread is one of the key indicators of quality when choosing a trading platform. The narrower it is, the lower the implicit costs for investors when buying and selling securities. For bonds, the spread is also a measure of the premium or discount on a reference interest rate (e.g. EURIBOR), the size of which depends on the creditworthiness and market position of the respective debtor.

**Binomial model**
A valuation model for options or American warrants designed by John Carrington Cox, Stephen Alan Ross and Mark Edward Rubinstein (1979). It is one of three valuation models used to determine the theoretical value of an option. The others are the Black-Scholes model and the analytical approximation method.

**Black-Scholes model**
Valuation model that calculates the theoretical fair value of a European option (i.e. one that can only be exercised at a specified time) on the basis of equities. It was developed by Fischer Black and Myron Samuel Scholes in 1973.

**Blind pool**
In closed-end funds, a blind pool means that the projects/objects the fund will invest in are not specified. The investor does not know at the time of investing what assets the fund will acquire using the money he provides.

**Blue chips**
Blue chips refers to the shares of major, internationally known companies with a large share of the stock exchange’s overall turnover and whose prices are also included in the calculation of common indices.

**Bond**
In order to raise capital issuers such as companies, financial institutions, countries or federal states issue securities on the bond market called notes, bonds or Pfandbriefe. The buyer of such a debt security is the creditor and the issuer the debtor obliged to pay interest payments and redeem the bond at its nominal value. Bonds are distinguished from one another by different maturities, currencies and the type of interest payment to be provided by the debtor.

**Bonus amount**
Amount paid for bonus certificates if the barrier is not breached during the observation period and the price of the underlying on the valuation date is below the bonus level.
Bonus certificates
Bonus certificates pay a bonus amount at maturity provided that the underlying has not reached or breached the predefined barrier. The investor does not receive any potential dividend payments.

Bonus level
Price threshold is above the barrier. The bonus amount is paid if the price of the underlying is less than the bonus level on the valuation date and the barriers have not been breached at any point during the term of the certificates / the observation period. If the price of the underlying is greater than the bonus level on the valuation date, the investor participates in increases in the value of the underlying (up to any agreed cap).

Book-building phase
see “Subscription period”.

Broker
A broker is a general term for trading participants who conduct transactions on the stock exchange. In the narrower sense it refers to traders who conduct proprietary and client trading on behalf of a company admitted to the stock exchange.

Brokerage fee
Brokerage fee is a commission which the (specialist) broker receives for its service. The amount of the brokerage fee is set out in the relevant exchange rules.

Bull
Optimists are described on the stock exchange as bulls. The bull is associated with rising prices because it attacks by thrusting its horns upwards. The opposite is the bear which swipes its paws downwards symbolising falling prices.

Bullish
An investor with bullish expectations generally anticipates that prices will rise.

Bull market
A bull market describes a long phase of rising prices on the stock exchange.

Bull trap
In technical analysis a bull trap is a false buy signal. The price rises briefly above a signal level before quickly falling in the opposite direction. (antonym: “bear trap”)

Bund
A Bund is an interest-bearing security issued by the Federal Republic of Germany in the form of a government bond. The German Federal Government uses these and other securities to finance its budget deficit. Like all interest-bearing securities, their price is listed as a percentage of nominal value.

Bund Future
The Euro-Bund Future (often known simply as the Bund Future) is a standardised futures contract on a typical German Bund. The basis of the contract is a fictitious Bund with a coupon of 6 percent drawn from a basket of deliverable Bunds. The residual term of the deliverable bond is between 8.5 and 10.5 years. The contract has a value of 100,000 euros. The holder of a Bund Future contract has the right to buy or sell a Bund allocated to this contract at a specified time. Four maturities are traded each year, ending in March, June, September or December.
**CAC 40**
The CAC 40 (CAC = Cotation Assistée en Continu; French for: continuous listing) is the benchmark index of the 40 leading French stock corporations traded on the Paris Stock Exchange.

**Call**
A call is the right to purchase a certain amount of shares, bonds, indices, commodities or currencies under prearranged conditions during the term from a contractual partner known as the option writer. There is no obligation to exercise the option right. If a call is not exercised, it simply expires without value. For the buyer of such an option right, the risk of loss on their initial capital investment is limited.

**Call warrant**
See “Call”.

**Call-writer**
The seller of a call option.

**Cap**
Predetermined amount up to which the investor participates in price developments of the underlying.

**Capital**
In economics, capital is one of three factors of production in addition to land and labour. In business terms, capital is the sum of equity and debt capital, with which a company operates.

**Capital gains**
Capital gains are the profits realised on capital assets or utilisation of capital. There is a statutory distinction between revenue earned on use of funds and capital gains realised on a sale or redemption. Such revenue includes dividends, gains from shareholder loans and silent partnerships, income from life insurance policies as well as profit on the sale of shares or other capital claims. Should the costs or fees be higher than the gains, the difference is referred to as a negative capital gain.

**Capital gains tax**
Capital gains tax (Kapitalertragssteuer – KEST or KapSt) is a special form of income tax. It is a form of withholding tax deducted from the investment income by the institution managing the account. Capital gains tax was introduced in Germany in 1993. A new regulation was introduced in 2008 for withholding by banks within the meaning of a final withholding tax. The tax rate is 25 percent of the investment income plus the solidarity surcharge of 5.5 percent and, if applicable, church tax; an exemption order or a non-assessment note from the tax authorities may be presented.
Capital increase
Capital increase is a measure to raise a company’s share capital. A distinction is made in a German stock corporation (Aktiengesellschaft) between an “effective” and a “nominal” capital increase. An effective capital increase may take one of two forms. A rights issue can be implemented in which existing shareholders receive a subscription right on a capital increase with which they can acquire additional new shares. The second form of capital increase excludes the subscription right. Nominal capital increases in contrast are undertaken with internal funds. The company issues free shares or bonus shares. In this case, the company receives no new funds because the shareholders are not required to contribute any cash.

Capital market
The capital market is that part of the financial market that serves to raise capital for the medium and long term. Companies, public authorities and governments can finance investments and other expenses via the capital market. (The capital market is also the securities market, on which equity securities such as equities, and fixed-income securities such as bonds are traded).

Capital protection amount
Fixed minimum payable payout amount, which corresponds to the capital amount employed to acquire the capital-protected certificate upon issue (without taking into account front-end load and other fees). As a rule, the capital protection amount corresponds to the nominal value or the nominal amount.

Capital-protected bond
see “Capital-protected certificates”.

Capital-protected certificates
With capital-protected certificates, the issuer guarantees the investor repayment at maturity in the amount of the nominal value. There is also an opportunity of an attractive return depending on the performance of one or more underlyings.

Capital reduction
A decrease in capital stock is known as a capital reduction. The aim is to eliminate balance sheet loss (nominal capital reduction) or to distribute surplus capital to shareholders (effective capital reduction).

Cash market
Cash market or spot market is a market segment of a stock exchange in which the settlement of a transaction – i.e. delivery, taking delivery, and payment – must take place within a short time after the transaction has been concluded. In Germany this period is two exchange trading days.

Cash settlement
Cash settlement is the payment of money as opposed to securities. For covered warrants it is no longer typical for payment to be in the form of shares. Instead, the bank pays the warrant holder the difference between the strike and the current market price. Cash settlement is also used to fulfil contractual obligations under options or futures contracts if physical delivery of the underlying is not planned.

Cash settlement price
The cash settlement price is determined once a day, usually at midday. In practice, the term is used synonymously with that of single cash price. Primarily stocks which are not admitted to continuous trading due to their liquidity restraints are traded at the cash settlement price.

Certificate
A certificate certifies an investor’s participation in the performance of other securities and financial products. The holder of the certificate participates, for example, directly in the performance of a specified index (index certificate) or a specially compiled equity basket (basket certificate).

Certificate test
Certificate tests are intended to provide investors and investment advisors with long-term information about the suitability of a certificate on the basis of objectively measurable criteria. The quality of the certificate is assessed through the four components...
of cost, trading (liquidity), creditworthiness and provision of information of the issuer.

Chart
A chart is a graphical depiction of price movements over a certain period. Changes in prices can be illustrated over various intervals such as years, months, weeks, days, hours, minutes, seconds or "ticks". The tick charts show each individual price determination. The vertical Y axis shows the price movements on either a linear or logarithmic scale. The price development can be displayed as a line graph, bar chart or candlestick chart.

Chart analysis
Chart analysis is another method of predicting prices, alongside fundamental analysis. Analysts use charts of past price and turnover development for a particular capital market product in order to generate a forecast of its future development. Technical analysis assumes that price developments reflect opinions, news and fundamental data, and is therefore considerably more accurate than fundamental analysis.

Chartist
A chartist is an analyst who uses charts as the basis for analysing securities.

Chart pattern
Chart patterns based on past developments are used to forecast a share's future price movements. Frequently occurring patterns include, e.g. head and shoulders, triangle, double top and double bottom, one and two day reversals, flags, pennants and cup and handle.

Cheapest
Unlimited order to purchase securities at the lowest price. The purchase takes place on the best terms available on the purchase date.

Classical warrants
Classical warrants are issued by companies in conjunction with warrant-linked bonds. They entitle the holder to subscribe to primary shares of the same issuer. The issuing company covers the obligations to deliver the primary shares arising from the equity warrants with contingent capital. Exercising the warrant and thus the utilisation of the contingent capital increases the number of outstanding shares and thus the stock corporation's capital. The naked warrant represents a new form of equity warrant.

Clean price
The clean price is the current price of a bond minus any interest that has accrued (antonym "dirty price").

Clearing
Clearing means the netting and settlement of the claims, liabilities and delivery obligations of market participants in on-exchange and off-exchange transactions. This task is normally carried out by centralised institutions called clearing houses.

Clearing house
A clearing house is responsible for clearing and settlement and normally also acts as central custodian of securities. [The clearing process includes transmitting, matching and confirming trades. The data necessary for netting and settlement are also collected, e.g. payment method, place and time of delivery] For futures contracts the clearing house specifies the amount of collateral (margin) to be paid. The clearing house also functions as a counterparty to trades, thereby guaranteeing the proper execution of trades as well as the settlement of the net debt.

Close
see “Closing price”.

Closing
The term closing can have several meanings. It describes the legal conclusion and entry into force of a contract on the financial market. It can also mean the specific transaction agreed in the contract. On the stock exchange, however, the term closing most commonly refers to the closing prices at the end of an exchange trading day. Finally, it may also mean the closing out (i.e. nullifying) of an open position on the derivatives market.

Closing transaction
A closing transaction refers to the elimination of an existing position through a sale or by entering into precisely the opposite position.

Collective custody
Collective custody is a form of securities account in which securities can be kept cost effectively, simply
and safely. All the securities are held centrally at a central securities depository.

**Commission**
Commission is the bank fee for executing securities orders. It generally amounts to 1 percent of the total price for equities and warrants. The commission is around 0.5 percent of the nominal value or price for bonds, whichever is higher. Brokers also receive commission or fees for their services.

**Commission trading**
Executing a transaction in commodities or securities by a commission agent in his own name but for the account of another is known as a principal. Examples are the exchange transactions of banks acting on behalf of their clients.

**Commodities**
Commodities is an umbrella term for goods and raw materials traded on derivatives exchanges. They include precious and industrial metals, such as gold, silver and zinc, and so-called soft commodities: agricultural products such as coffee and sugar. Commodities are traded as futures and are bought and sold in contracts.

**Commodity option**
A commodity option securitises the right to acquire (call) or deliver (put) a specified amount and quality of a commodity on a specified date and at a specified price.

**Compliance**
Compliance in financial markets means observing rules of conduct, laws and guidelines. For banks it means observing the German Securities Trading Act, the most important aspects of which include investor protection, prevention of insider trading, monitoring staff transactions and remuneration rules in securities trading. The aim of such regulations is to create and maintain trust in the capital markets and with regard to market participants.

**Compound interest**
Compound interest is the portion of the interest which is owed on interest which has accrued but not yet been paid out.

**Compound interest effect**
The compound interest effect describes the increase in the sum invested and thus in the interest earned when a distribution is reinvested. This result in a greater increase in the value of the capital employed compared to regularly withdrawing income.

**Consolidation**
A counter or sideways movement in equity prices following a strong prior movement in price is referred to as consolidation (from Latin: com- = together and solidare = to make solid).

**Consortium bank**
A consortium bank is a financial institution that is a member of a banking or underwriting syndicate to execute a specific bank transaction.

**Contango**
Contango is a term used in the commodity futures markets. It describes a situation in which the price of a futures contract is higher the longer its term. This type of term structure is caused among other things by storage costs that may be incurred by the deliverer before maturity of the contract. In the event of a contango situation, investors face roll losses if they “roll” an expiring future into a future with a longer maturity. This is because they must pay more for futures contracts with longer maturities than for contracts with shorter maturities. (antonym: “backwardation”)

**Corridor warrant**
See “Range warrant”.

**COSI**
COSI (Collateral Secured Instruments) is a collateralisation mechanism first developed in Switzerland. It minimises the issuer risk involved in certificates by depositing selected collateral such as bonds, cash or shares in a SIX Swiss Exchange account at SIX SIS – the central securities depository in Switzerland. The entire value of investor capital in the structured products launched must always be backed by this collateral throughout the whole term of the product. SIX Group continually monitors the required quality of collateral. It ensures that sufficient collateral is always available.
Counter transactions
Counter transactions are securities transactions carried out directly at the bank counter. The buyer is physically handed the securities in return for a cash payment. He can then store them himself or keep them in a safety deposit box in a bank.

Coupon
A coupon is the part of a security that entitles the holder to payment of a dividend (dividend coupon) or interest (simple coupon). Coupon may also describe the nominal interest rate of a bond. The expression dates from the time when shares and bonds were physically printed and included coupons that the investor could clip off on the respective dividend or interest due dates and submit to the bank for payment. Investors who had submitted all their coupons could apply for a new sheet of coupons.

Coupon p. a.
See “Interest rate p. a.”

Covered warrant
Covered warrants securitise the right to physically acquire shares, currencies or commodities. In the case of covered warrants, the bank holds the relevant quantity of the underlying, e.g. the respective number of company shares, in a depository account or on the trading book. These days, issuers have the right to execute cash settlement rather than delivery of the underlying shares. Issuers forego maintaining a cover pool and instead typically secure these positions with a counter-transaction on the derivatives market.

Credit default insurance
See “Credit default swap”.

Credit default swap
Credit default swaps (CDS) are a means of hedging the risk of default. Investors pay an annual premium in order to protect themselves from default by a bond issuer.

Credit-linked note
Credit-linked notes (CNL) are structured securities enabling investment in a debtor’s creditworthiness by linking it to interest payments and principal repayments. If the debtor experiences no credit event occurs, the investor receives the interest payments and repayment of the nominal value upon maturity.

If, on the other hand, non-payment of obligations triggers a credit event, this default is transferred to the CLN holder. He may receive interest payments and principal repayment considerably less than the nominal value.

Credit ratings
A rating is an assessment of the likelihood that a debtor such as a bank, company or country will meet its obligations, e.g. to pay interest and repay its debt. Rating agencies use a systematic approach to assess credit ratings. The most well-known credit rating agencies are Standard & Poor’s, Moody’s and Fitch. They indicate creditworthiness using a code of letters. Credit ratings help investors to judge the creditworthiness of the respective issuer. As the certificates may be debt instruments, the rating is an important factor in the investment decision.

Credit risk
The credit risk is the risk that a debtor’s solvency situation could deteriorate. Deterioration of debtor creditworthiness results in a corresponding discount on the price of the relevant securities. The debtor’s creditworthiness may deteriorate to such an extent during the term that it becomes insolvent or illiquid. In this event, interest and/or principal payments may not be made on time. Credit risk is the risk that a debtor may be unable to meet his obligations to the creditor.

Credit spread
The credit spread is the yield premium received by investors holding bonds at risk of default compared to the yield they would receive if they held bonds with the best credit rating. The credit spread is the risk premium for taking on credit, spread and liquidity risks. They help investors to judge the creditworthiness of the respective issuer. As the certificates may be debt instruments, creditworthiness is an important factor in the investment decision. Credit spreads are expressed in basis points. These represent the insurance premium that the buyer of protection must pay for protection against default by the respective company. Such premiums may give more up-to-date and accurate information about an issuer’s creditworthiness than some credit ratings.
**Creditworthiness**

Creditworthiness, also known as credit quality, refers to a debtor’s ability to meet his payment obligations. Issuer creditworthiness is of particular importance to the certificate investor. If the issuer becomes insolvent it means that it cannot repay the investor the capital owed as planned. In the worst case scenario, this can result in total loss of capital invested for the investor. International rating agencies such as Moody’s, Standard & Poor’s (S&P) and Fitch assess creditworthiness using a defined rating system.

**Currency option**

A currency option is the contractual option between two parties to buy or sell a specified currency at a pre-agreed exchange rate on a specified date. However, as physical delivery of the currency does not take place, with currency options the issuer pays out the exchange rate gain as a cash settlement.
**DAX**

DAX is the abbreviation for the German stock index (Deutscher Aktienindex). The index was launched on December 30, 1987. It comprises the 30 largest and most actively traded German shares listed on the Frankfurt Stock Exchange. The DAX was jointly developed by the Association of German Stock Exchanges (Arbeitsgemeinschaft der Deutschen Wertpapierbörsen), the Frankfurt Stock Exchange and the Börsen-Zeitung newspaper. It was launched on July 1, 1988. It continues the Börsen-Zeitung index, whose history dates back to 1959. The DAX is a performance index in which dividends and changes in share capital are also taken into account. It is calculated solely on the basis of prices in the XETRA electronic trading system and is a real-time index. The companies included in the calculation must have been admitted to the variable market segment of official trading on the Frankfurt Stock Exchange for at least three years. Further selection criteria for companies to be included include:

- high trading volume
- market capitalisation
- availability of early open prices
- representativeness of sector

The DAX is a kind of barometer for the Frankfurt Stock Exchange. It shows whether the stock market in Germany is doing well or badly overall.

**DAX Price Index**

The German stock price index uses the same weightings as the DAX. However, it is calculated without adjustments for dividends and bonuses.

**DAX Volatility Index**

See “VDAX”.

**Day order**

A day order is an order which is limited to a single trading day. If the order is not executed on this day, it expires automatically.

**Day trader**

A day trader is an investor or trader who closes out the positions they have taken on the same day or balances them through corresponding counter trades to use a financial instrument’s price volatility over the course of a single day in order to make a profit.

**Day trading**

Day trading (or intraday trading) is a trading method in which investors buy and sell financial instruments on the same day. The positions are usually closed out at the end of the trading day. Trades can
be made in equities, commodities, certificates, leveraged products such as warrants, options, futures, contracts for difference and even currencies. Although day trading was previously largely engaged in by professional investors and speculators, in recent years the increase in electronic trading has meant a rise in day trading among private investors and also in high-frequency trading.

**DDV**

DDV is the abbreviation of the German Derivatives Association (Deutscher Derivate Verband).

**Deposit guarantee**

The deposit guarantee ensures a bank customer’s right to repayment of a certain sum should the bank not be able to repay the customer’s deposit. Pursuant to the Deposit Guarantee and Investor Compensation Act (Einlagensicherungs- und Anlegerentschädigungsgesetz – EAEG), all banks are required to guarantee their deposits through membership of a statutory compensation scheme. The minimum cover for deposits is €100,000 per person and the payment should be made within 30 working days. Savings banks (Sparkassen), regional state banks (Landesbanken), regional state building societies (Landesbausparkassen) and cooperative banks (Genossenschaftsbanken) are exempt from membership in a corresponding compensation scheme provided that they belong to a scheme which guarantees their liquidity and solvency through their bank association (source: German Ministry of Finance). There is also a system of voluntary guarantee schemes operated by various banking groups.

**Derivatives**

A derivative or derivative financial instrument (from Latin: derivare = to lead or draw off, derive) is a contract between two parties concluded on or off the stock exchange, which specifies the conditions for payments or payouts, such as term, maturity, underlying, multiplier and notional amount. More specifically, a derivative is a financial instrument whose price depends on other factors such as indices, equities or bonds. Experts differentiate between securitised and non-securitised derivatives. Non-securitised derivatives include, for example, options and futures traded on derivatives exchanges such as EUREX. Securitised derivatives include warrants and certificates.

**Derivatives Code**

The Derivatives Code is a voluntary commitment by DDV members. It sets guidelines for structuring, issuing, distributing, marketing and trading derivative securities. It sets minimum standards which give investors security and confidence in the offerings of these issuers. Compliance with the Derivatives Code is compulsory for members of the DDV.

**Derivatives League**

Product classification by DDV which systematically categorises the eleven types of structured products.

**Designated sponsor**

Designated sponsors are banks or financial service providers which furnish binding quotes in electronic trading for the purchase and sale of stocks.

**Deutsche Bundesbank**

The Deutsche Bundesbank was founded on July 26, 1957 as the central bank for the Federal Republic of Germany. Until the European Central Bank (ECB) was established, the Deutsche Bundesbank was an autonomous and politically independent institution responsible for supplying the economy with money (by controlling the repo rate, the base rate, the discount rate, the Lombard rate and the reserve ratio), ensuring the currency’s stability and supporting economic development. The Deutsche Bundesbank is now part of the European system of central banks. Its main aim is to safeguard price level stability. The Bundesbank holds and manages Germany’s currency reserves. It also ensures the settlement of payments by banks in Germany and abroad, and contributes to the stability of the payment and clearing systems. According to the Bundesbank Act and the European Central Bank’s Statute, the Deutsche Bundesbank has four fields of activity. As a central bank, the Bundesbank supplies the economy with cash and ensures the fitness of circulation of banknotes. The Bundesbank is the bank of the banks. It serves as a source of refinancing and a clearing agent for banks. It is instrumental in banking supervision. The Bundesbank manages the currency reserves, meaning all the Bundesbank’s assets which are not denominated in euros, for example gold reserves, foreign notes and coins, securities in foreign currencies and balances in foreign currencies at banks. The Bundesbank maintains current accounts and securities accounts not only for banks, but also for the public.
sector, such as local authorities, universities, charitable organisations and for its own employees.

**Deutscher Derivate Verband**
The German Derivatives Association (Deutscher Derivate Verband – DDV) is the industry representative body for the leading issuers of derivative financial securities in Germany. It was established on February 14, 2008 and has offices in Frankfurt/Main and Berlin. DDV’s objective is to promote the derivatives market and increase the acceptance of certificates, reverse convertibles and warrants in Germany. It also aims to protect investors and make products more comprehensible and transparent.

**Digital warrant**
Digital warrants (from Latin: digitus = finger) are a type of exotic warrant or binary option. They work according to the principle of “all or nothing”. The payout is usually made in one of two ways: with all-or-nothing warrants (or cash-or-nothing warrants), either the fixed amount is paid out to the investor or the option expires worthless. If the warrant is in the money at maturity, the warrant holder pays the agreed amount. If, on the other hand, the warrant is out of the money at maturity, the warrant holder does not receive a settlement payment, as with a standard warrant. With this form, there is a distinction between European-style digital warrants (binary, -simplex warrants) and American-style digital warrants (hit warrants). With an asset-or-nothing warrant, the investor receives a specified equity or another underlying if the underlying is above the strike price at maturity.

**Direct bank**
A direct bank is a bank without any branches. It is subject to the same banking supervisory regulations as branch-based banks. Direct banks provide their services by post, telephone, fax and Internet. As they do not have any branches, their services are often cheaper by comparison. In addition to current accounts, investments and securities trading, their product range also includes loans and mortgages.

**Direct brokerage**
Direct brokerage refers to the security brokerage service provided by a direct bank without individual investment advice. This is considered a cost-effective alternative for investors who are already experienced in securities transactions and investors making their own decisions.

**Dirty price**
The dirty price is the current price of a bond plus any interest that has accrued and thus the price to be paid when purchasing a bond (antonym: “Clean price”).

**Disagio**
Disagio, also known as discount, is the reduction to the par value.

**Discount**
see “Disagio”.

**Discount broker**
A business which settles transactions at very low buying and selling fees, not only in securities, but also in derivatives such as options of futures. Customers can place orders by telephone or over the Internet. Customers generally receive no advice or market information.

**Discount certificates**
Discount certificates give a discount to the current price of the underlying. This discount cushions possible falls in the price of the underlying. In return, participation in price rises is limited by a cap and the investor does not receive any dividends.

**Dividend**
The share of a company’s profit which is distributed on a per share basis to shareholders. The annual general meeting decides the size of dividend and when it will be distributed. The amount of the dividend is based on the company’s profit. The executive board proposes the size of the dividend. The annual general meeting then passes the resolution with a simple majority. The dividend is usually paid out the day after the annual general meeting.

**Dividend coupon**
In past times when shares were still issued in physical printed form, dividend coupons were the part of the paper that entitled the holder to dividends. On the payment date, the dividend coupon was separated from the sheet and handed in to the bank. In return, the investor was paid a dividend. See also “Coupon”.

**De – Di**
**Dow Jones Industrial Average Index**

The Dow Jones Industrial Average Index (Dow Jones) is the best-known index of the New York Stock Exchange (NYSE) and tracks the prices of the 30 most significant US stocks. It was created by the founders of the Wall Street Journal and Dow Jones & Company on May 26, 1896. It is the oldest existing stock market index in the USA. The Dow Jones is a price index. It is calculated without dividend payments, subscription rights or one-off payments. This means it is a price-weighted index. The index level is thus determined exclusively on the basis of share prices and only adjusted for income from subscription rights and one-off payments. The calculation is made on the basis of the sum of the individual share prices which is then divided by the number of shares in the index. The index is calculated every second. Shares with a high price have a greater influence on the behaviour of the index than shares with a low price. In the case of share splits and reverse share splits, the Dow Jones is adjusted by correction factors.

**Duration**

Duration (or bond duration) describes the average period until cash flows are received for an investment in a fixed-income security.
**Economic and Monetary Union of the European Union**

The Economic and Monetary Union of the European Union (EMU), often referred to as the European Monetary Union or Economic and Monetary Union, is an agreement in which the European Union’s member states have agreed to converge their economies by implementing certain economic and monetary policy arrangements in a three stage process. As part of this process, competence for monetary policy was passed to the European System of Central Banks (ESCB), which comprises the ECB and the national central banks, and on January 1, 2002 the euro was introduced as the official currency in the participating countries.

**Effective leverage**

*See “Omega”.*

**Electronic stock exchange**

An electronic stock exchange is a trading platform in which security trading and settlement takes place entirely via computer systems. The advantages are the high-speed of execution, the anonymity of the trading partners, lower transaction costs and the fact the market participants can be anywhere in the world. The NASDAQ began trading as the first fully electronic stock exchange in February 1971.

**Emerging markets**

Emerging markets is the term used to refer to newly industrialised countries which are exhibiting rapid growth and signs of increasing industrialisation. They are at stage between developing country and industrialised country. China and India are among the largest emerging markets.

**EMU**

*See “Economic and Monetary Union of the European Union”.*

**Equity warrant**

Equity warrants are warrants which are based on equity. There are call and put warrants. A distinction is made between options placed on the market as part of a warrant issue and covered warrants.

**ESCB**

*See “European System of Central Banks”.*

**ESMA**

ESMA stands for European Securities and Markets Authority, which is responsible for regulating securities trading within the EU.

**ETC**

*See “Exchange traded commodities”.*
ETF
See “Exchange traded fund”.

ETN
See “Exchange traded notes”.

EUREX
EUREX is one of the world’s most important electronic stock exchanges for financial derivatives. It was created in September 1998 from the merger of Deutsche Terminbörse (DTB) and Schweizer Terminbörse (SOFFEX). It is 50 percent owned by Deutsche Börse AG and 50 percent owned by SIX EUREX offers options and futures on shares, stock market indices, interest rate products, volatility indices and exchange traded funds (ETFs).

EURIBOR
EURIBOR stands for Euro Interbank Offered Rate and describes the interest rate at which euro interbank term deposits are offered. EURIBOR is determined for terms of 1, 2 and 3 weeks and also 12 monthly terms of 1 to 12 months. EURIBOR is the most important reference rate for short-term investments between commercial banks.

Euro
The euro is the currency of the European Economic and Monetary Union. It was introduced as legal tender on January 1, 2002. Today, euro banknotes and coins are the legal tender in 17 of the 27 member states of the European Union.

Euro-Bund future
See “Bund future”.

Euro Interbank Offered Rate
See “EURIBOR”.

Euronext
Euronext or NYSE Euronext is a stock exchange operator which was created from the merger of the multinational European stock exchange Euronext (Euronext N.V.) and the New York Stock Exchange (NYSE Group, Inc.) in 2007. NYSE Euronext comprises the stock exchanges in Amsterdam, Brussels, Lisbon and Paris, the futures and options market in London, the New York Stock Exchange and NYSE Amex (previously the American Stock Exchange) in New York and the NYSE Arca in Chicago and San Francisco.

European option
An option where the right to buy (with call warrants) or to sell (with put warrants) can only be exercised on the expiry date.

European Central Bank (ECB)
The European Central Bank (ECB), founded in 1998, is the joint currency authority of the member states of the European Monetary Union (EMU) and together with the EU states’ national central banks (NCBs) forms the European System of Central Banks (ESCB). The ECB has been a body of the European Union since 2007. A central bank is an institution which is responsible for monitoring the banking system and regulating the money supply in an economy.

European Monetary Union
See “Economic and Monetary Union of the European Union”.

European Structured Investment Products Association
See “EUSIPA”.

European System of Central Banks
The European System of Central Banks (ESCB) is composed of the European Central Bank (ECB) and the national central banks (NCBs) of all the states in the European Union. The ESCB’s objective is to guarantee price stability and to support the general economic policies in the European Union.

EUROSTOXX
The EUROSTOXX index family was launched on 26 February 1998. It is operated by the index provider STOXX Ltd. in Zurich. STOXX Ltd. is a company owned by Deutsche Börse AG and the Swiss SIX. Its best-known index is the EUROSTOXX 50.

EUROSTOXX 50
The EUROSTOXX 50 is a stock market index which tracks the performance of the 50 largest listed companies in the euro zone. It is considered to be one of the leading market barometers in Europe. It is calculated as both a price index and a performance index.

Eurosystem
The Eurosystem is an organisational unit which consists of the national central banks of the EU states which introduced the euro as legal tender and the European Central Bank (ECB). This group will
continue to exist until all the member states have introduced the euro. Its main tasks are determining and implementing monetary policy in the euro area, executing foreign exchange transactions and ensuring the functionality of the payment systems.

EUSIPA
The European Structured Investment Products Association (EUSIPA) is the European umbrella association for the certificate sector. Its role is to promote the interests of the market for structured investment products. In addition to the German Derivatives Association (DDV), the national associations from Austria, Switzerland, France, Italy and Sweden are also members of EUSIPA.

Exchange rate
The exchange rate is the exchange ratio of two currencies. The value of a currency in cashless payment transactions is the exchange rate and the exchange rate for notes and coins in cash payments. The price arises on the basis of supply and demand, but it can also be fixed.

Exchange traded commodities
Exchange traded commodities (ETCs) are bonds which are comparable to certificates and are linked to the performance of one or more commodity prices. ETCs behave like passive tracker certificates on indices which track the performance of commodity indices or individual commodities. ETCs enable trading in these commodities without it being necessary to trade in futures or take physical delivery of the commodity. Unlike certificates, the investor's capital in the ETC is usually secured with collateral, for example bonds or precious metal.

Exchange traded funds
Exchange traded funds (ETFs) are index funds traded on the stock exchange. The fund, which is usually passively managed, is continuously traded on the stock exchange like a share. The composition of the portfolio of ETFs is published daily. The indices are either tracked physically by buying the securities contained in the index or through a derivative construction (swap contract).

Exchange traded notes
In the same as certificates, exchange traded notes (ETNs) are usually unsecured debt securities. The investor is thus exposed to issuer risk. However, there are also versions which are secured by assets or for which the risk of default is reduced by guarantees. Exchange traded notes usually have a number of market-makers who increase their liquidity. ETNs are mostly offered with a limited term.

Exercise price
The exercise price (or reference price) is the price at which investors may buy or sell the underlying when exercising their option right.

Exemption order
An exemption order for capital gains is an order by a taxpayer to their bank or savings bank to exempt their capital gains from automatic tax deductions in the context of final withholding tax. If no exemption order is provided or if the capital gains exceed the flat-rate saver’s allowance, the financial institution must pay the tax office the 25 percent income tax plus the solidarity surcharge and, if applicable, church tax, on the amount by which the allowance was exceeded.

Expiration date
see “Expiry date”.

Expiry date
The expiry date is a specific date on which the right, defined in an option contract to buy or sell a share at the strike, expires. When the term has expired, the option right expires worthless.

Express certificates
With express certificates, the performance of the underlying is checked against its starting price at specified intervals (e.g. annually). If the price at this time is above the initial price, the investor receives the nominal value of the certificate plus a predefined additional amount before the end of the term. Otherwise, the process is repeated in the following periods, taking double the additional amount as a basis and so on. If the price decreases, a cushion generally absorbs any price falls up to a predefined value. Losses will only be incurred if the price falls below this predefined value, as they would with a direct investment in the underlying.
**Face value**
The face or par value of a bond means the nominal value to be paid at maturity (i.e. the bond is listed at 100 percent). Bonds can be issued at par, under par or over par. The face value is also the issue price of a security in a new issue. Under or over par means that when a new bond is issued, a discount or premium (agiо) is determined by which the issue price exceeds or falls below the nominal amount of the bond.

**Factor certificates**
Factor certificates enable investors to participate in both price increases (long) and price falls (short) in the global equity, interest-rate or commodity markets. They have an unlimited term and are each based on an index. The amount of the factor defines the degree of leverage with which the index reproduces the daily price movements of the underlying.

**Fair value**
Fair value is a theoretically correct and fair price for an option, at which the likelihood of profit and loss are in balance. There are various models for calculating the fair value.

**Federal bond (Bundesobligation)**
Federal bonds, commonly abbreviated in German as Bobl, are issued by the German Federal Government and feature annual interest payments and an agreed term (generally five years). They may be traded on the stock exchange.

**Federal Financial Supervisory Authority (BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht)**
The Federal Financial Supervisory Authority (BaFin) was established in May 2002 and brings the supervision of banks, financial service providers, insurers and securities trading together under one roof. BaFin is an independent public-law institution and is subject to legal and specialist supervision by the Federal Ministry of Finance. Its role is to ensure the functionality of the German financial system.

**Federal savings bond (Bundesschatzbrief)**
Federal savings bonds are issued by the Federal Republic of Germany.
There are two variants: type A has a term of six years with annual interest payments. Type B bonds pay interest and principal in a single sum at the end of the seven-year term. With both types of bond, the interest rate and thus the yield increase over the course of the term. These securities do not involve price risks. The interest payments for the entire term are specified at issue.

**Federal treasury bill (Bundesschatzwechsel)**
Federal treasury bills are short-term debt instruments issued by the German Federal Government
that cannot be acquired by private investors, only by banks and institutional investors.

**Final trading day**
The final trading day is the last day on which the financial instrument may be traded on the stock exchange.

**Financial product**
See “Investment product”.

**Floater**
See “Floating rate notes”.

**Floater bonds**
See “Floating rate notes”.

**Floater notes**
See “Floating rate notes”.

**Floating rate notes**
Floating rate notes (also known as floaters, floater bonds or floater notes) are bonds with a variable coupon which is oriented on a reference rate. After each coupon period, for example after 3, 6 or 12 months, the bond issuer pays the coupon and at the same time announces the coupon rate for the new coupon period. This coupon rate is mostly based on money market rates such as EURIBOR (the Euro Interbank Offered Rate) or LIBOR (the London Interbank Offered Rate).

**Foreign currency**
Foreign currency refers to money denominated in a currency other than the domestic currency. It includes credit balances, cheques, money orders, banknotes and coins. The majority of foreign currency traded worldwide is settled via foreign exchange trading as part of interbank trading.

**Foreign exchange spot transaction**
In a foreign exchange spot transaction, the transaction or delivery takes place with no more than two working days between purchasing the foreign currency and concluding the transaction.

**Frankfurt Stock Exchange**
The Frankfurt Stock Exchange (FWB) is the most important trading platform for securities in Germany today. The Frankfurt Stock Exchange is a public-sector institution. It is owned and operated by Deutsche Börse and Scoach Europa AG. The Frankfurt Stock Exchange’s supervisory authority is the Hessian Ministry of Economic Affairs, Transportation and Regional Development.
The Frankfurt Stock Exchange is today considered to have come into being in 1585 at a meeting of merchants who wanted to establish uniform exchange rates in order to prevent the proliferation of coinage.

**FTSE 100**
The FTSE 100 is the benchmark index of the London Stock Exchange (LSE). The abbreviation FTSE stands for Financial Times Stock Exchange. The FTSE 100 tracks the share price performance of the 100 largest and most actively traded companies on the LSE.

The FTSE 100 is a price index, dividend payments are therefore not taken into account in the calculation. The index represents 80 percent of the LSE’s market capitalisation. The index members are weighted according to their market capitalisation.

**Futures**
A futures contract, or future, is a standardised, exchange-traded contract in which the buyer and seller agree to buy or sell a certain quantity of an underlying at a fixed price on maturity.

**Futures transaction**
A futures transaction or futures trade is a buy or sell trade on the stock exchange in which the payment and delivery do not take place until a later date. In contrast to a spot trade, in a futures transaction the fulfilment of the contract e.g. the delivery and the payment for the goods occurs at a later date than conclusion of the contract. This type of trading is possible with all types of goods. A distinction is made between futures contracts on commodities and financial futures transactions such as with equity options.
Gamma
Gamma is a dynamic indicator that helps to value a warrant. It reflects how the delta changes when the price of an underlying rises or falls by one unit. If a warrant has a delta of 0.65 and gamma of 0.05, the delta rises to 0.70 when the underlying increases by one euro.

General Standard
The General Standard is a segment of Deutsche Börse AG based on its Regulated Market which is regulated by law. Small and medium-sized companies seeking to raise capital on the stock exchange are listed in this segment. The requirements for minimum capital and unit volume are lower than in the Prime Standard. Admission requirements include that at least 25 percent of the shares must be in free float. The company must have existed for at least three years. In addition, there is a general requirement to publish a prospectus.

German bond index
See “REX”.

German government security (Bundeswertpapier)
The German Federal Government meets its financing requirements not only using bank loans but also by acquiring funds from private investors. This is the purpose of the government securities it issues.

The government uses its assets and tax revenues to guarantee its debt.

German Stock Exchange Act (Börsengesetz)
The Börsengesetz (BörsG) has regulated the activity and organisation of German stock exchanges since 1976. It comprises six sections:
1. General provisions on the exchange and exchange bodies
2. Exchange price determination and the broker system
3. Maintaining order book and transparency requirements for stock exchanges
4. Admission of securities to official market
5. Open market
6. Regulations pertaining to penalties and fines; regulations on concluding transactions.

Global depositary receipt (GDR)
Global depositary receipts are global certificates for securities. They serve to simplify the custody and management of securities. The advantages of this type of securitisation are lower printing and custody costs and simplified dividend settlement.

Going public
See “IPO”.
Grey market
The grey market is an unofficial, unregulated capital market which is not subject to financial supervision by the state or similar regulations. For example, shares in companies, tax saving schemes, investments in real estate or even schemes by which tax relief is obtained on investments in building projects are all available on the grey market.
Hamster warrant

*see “Range warrant”.*

Hang Seng Index

The Hang Seng Index (HSI) is the Hong Kong Stock Exchange’s benchmark index. The index comprises 45 companies which represent around 70 percent of the total market capitalisation of the Hong Kong Stock Exchange. The index was launched for the first time on November 24, 1969 by HSI Services Limited.

HDAX

The HDAX tracks the performance of all shares in the DAX, MDAX and TecDAX. It thus covers the 110 largest companies in the Prime Standard. The composition of the HDAX changes in line with the indices on which it is based.

Hedge

A hedge (or hedging) refers to the covering of existing positions in an underlying or a portfolio against the risk of price movements. Derivative financial instruments such as options, warrants or futures on the relevant underlying are often used for this purpose.

Hedging

*See “Hedge”.*

Hedge fund

Investment funds which pursue speculative investment strategies are described as hedge funds. They can use any form of investment and mostly use derivatives and short selling.

High

A share’s highest price (of the day, week, month, historically etc.)

Historical volatility

Historical volatility is calculated from time series of past market prices.

Historical securities

Historical securities are old shares or bonds which no longer have a value on the stock market. The securities only have a value as collectibles.

Homogenised spread

A security’s homogenised spread is the absolute difference between its bid and ask prices – the absolute spread – converted to a ratio of 1:1. A security with a spread of one cent and a ratio of 10:1 has a homogenised spread of 10 cents. Homogenising the spread is important in order to make securities from different issuers comparable.
Horizontal spread
A horizontal spread, or time spread, is an option strategy. It consists of calls or puts with an identical exercise price. Options with closer expiry dates are written and ones with later expiry dates are bought.
IBEX

IBEX (the Iberia Index) is the benchmark index of the Spanish stock market. It comprises the 35 most important Spanish companies with the highest market capitalisation. It was calculated for the first time in 1992. Unlike the DAX, it is a price index and dividend payments are not taken into account in the calculation.

IDR

See “International Depositary Receipt”.

IMF

See “International Monetary Fund”.

Implied volatility

Implied volatility reflects market participants’ expectations of the future volatility of a security.

Index

An index is an indicator which shows the performance of selected prices in a defined segment of the stock market. Indices are based on all types of securities and commodities and on a large number of sectors, investment strategies and regions around the world. The best-known indices include, for example, the DAX for Germany, the Dow Jones Industrial Average Index for the USA and the Nikkei 225 for Japan. In addition there are a large number of indices which represent small stocks. The criteria for the composition and weighting of individual securities differ greatly between indices. Indices also address the payment of dividends in different ways. Performance or total return indices take dividend payments into account in their calculation. Price indices are based purely on the performance of the shares and thus reflect the usual price reductions following dividend payments.

Index provider

See “Index sponsor”.

Index sponsor

An index sponsor or index provider is an institution responsible for creating, developing, calculating and often for compiling an index. It checks their composition at regular intervals and adjusts the weighting of the members of the index.

Index/participation certificates

Index/participation certificates enable investors to participate in the performance of an underlying. In this way, the investor can invest in an asset class, sector or region through a single certificate and thus optimise and diversify their portfolio.

Inflation

Inflation (from Latin: inflatio = to inflate) refers to a rise in the price level within a defined period. Because more money has to be paid for goods, inflation is also understood to mean currency devaluation.
The consumer price index is usually used to determine inflation.

**Initial public offering**

*See “IPO”.

**Insider**

Insiders are generally people who have information which outsiders do not. According to the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), which has been in force since 1994, insiders are (i) persons who hold an interest in the share capital of a company or an affiliated enterprise thereof, (ii) persons who acquire knowledge because of their employment at the company, for example as members of the executive board or supervisory board, (iii) but also anyone who gains such knowledge as a result of their job or duties (for example auditors, accountants, tax advisers, notaries and management consultants).

**Insider trading**

According to the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), insider trading has occurred if a person buys or sells insider securities on their own account or on behalf of a third party using insider information. It is also considered insider trading if a person discloses or makes available insider information without the authority to do so or if someone else recommends, on the basis of insider information, that a third-party acquire or dispose of insider securities or otherwise induces a third party to do so. Insider trading is punished with prison sentences of up to 5 years or with a fine.

**Insolvency**

Insolvency (from Latin: solvere = to pay, to pay off) or bankruptcy describes a debtor’s inability to pay its due financial obligations and creditors.

**Institutional investor**

An institutional investor is an investor who invests money in the financial markets on their own account or on behalf of clients as part of their job. Institutional investors include family offices, banks, investment companies, pension funds, insurance companies and investment funds. Government institutions and bodies, such as national, regional and local government, are also described as institutional investors.

**Interest**

Interest is the fee that a borrower has to pay for temporarily borrowing financial instruments or which a lender receives for lending their savings. The interest is usually determined by supply and demand.

**Interest rate risk**

Describes the risk that the buyer of a bond is taking if the interest rate rises. In this case, the price of the bond will fall and if sold before maturity there will be a loss. The price of a fixed-income security adjusts to the current interest rate by means of price movements.

**International depository receipt**

International depository receipts (IDRs) are negotiable certificates which represent ownership of a share in a company. IDRs represent a development of the American depositary receipt (ADR).

**International security identification number**

The international security identification number or ISIN is a twelve digit combination of numbers and letters. The ISIN was intended to replace the German WKN from April 22, 2003. However, the German WKN was not abolished, meaning that both identification numbers are now used in parallel.

**International Monetary Fund**

The International Monetary Fund (IMF) is an organisation which represents 187 nations. Its duties include fostering global monetary cooperation, securing financial stability, promoting high employment and sustainable economic growth and facilitating international trade. Another important duty is to reduce poverty around the world. The IMF is a specialised agency of the United Nations and is based in Washington, D.C., USA. It was established at the end of World War II during the conference of Bretton Woods in July 1944.

**Interest rate p.a**

The interest rate p.a. specifies the percentage at which the nominal amount bears interest annually. The calculation of the interest depends on the applicable interest calculation method in each case. If the interest payable per bond is specified, this is a fixed sum payable per bond on dates specified in the issue terms and conditions, and the length of
time over which the interest is paid is not taken into account.

**Interest payment date**
Interest payment dates are the dates specified in the bond terms and conditions for the payment of interest due. The interest can be paid annually, once every six months or once a quarter in arrears.

**In the money**
For a call option, when the current price of the underlying is above the strike price; for a put option when the current price is below the strike.

**Intraday trading**
See “Day trading”.

**Intrinsic value**
A warrant’s intrinsic value is the sum of money which can be realised if the warrant is exercised. It is equal to the difference between the current price of the underlying and the strike price of the warrant. The intrinsic value can never be negative. If the price of the underlying rises, the intrinsic value of a call warrant also rises. If the price of the underlying falls, the intrinsic value of a put warrant rises. The intrinsic value expresses the real value of the warrant. Experts describe the intrinsic value with the expressions “in the money”, “at the money” and “out of the money”.

**Investment banking**
Investment banking is the part of banking involving instruments for financing companies through the capital markets.

**Investment certificate**
Investment certificates are bearer bonds which derive the price development of the corresponding underlying asset, e.g. shares, indices, interest rates, currencies or commodities. With the exception of issuer risk, these products are normally no riskier than investing directly in the respective underlying. They may have a limited or unlimited duration, do not offer regular income and have a fixed redemption amount.

**Investment company**
An investment company (Kapitalanlagegesellschaft - KAG) is a company that launches and manages investment funds.

**Investment product**
Investment products or financial products are a form of investment offered by banks or other issuers with specific conditions attached to them. Ideally, the aim is to achieve an increase in value, but at the very least to maintain the real value.

**Inverse yield curve**
With an inverse yield curve, or inverse interest rate structure, less interest is paid for long-term than for short-term investments. Investors expect interest rates to fall sharply in the future, for example as a result of the central bank reducing the base rate. For this reason, they primarily make long-term investments. Profits by investors put reverse pressure on the corresponding interest rates at the long end, i.e. for longer terms. Structures of this kind can be a sign of economic crisis.

**Issue**
An issue refers to the issue of new securities such as shares, bonds, certificates or leveraged products or also the issue of money by a central bank.

**Issue date**
The issue date is the date on which a financial instrument is issued.

**Issue price**
The issue price is the price at which a financial instrument is offered for the first time.

**Issue volume**
Issue volume or placement volume means the issue price multiplied by the number of securities issued in a flotation, capital increase or bond issue.

**Issuer**
The issuer is the institution issuing the financial instrument.

**Issuer risk**
Issuer risk describes the danger that the issuer of a financial product will not be able to meet the financial obligation they have entered into. With bonds and certificates, this can occur when there is a default of payment or (partial) default on a coupon payment or redemption at the end of the term. With shares, the issuer risk is that a company may become insolvent.
The issuer’s rating, i.e. its creditworthiness, is an important indicator for investors of the extent of the issuer risk.

**IPO**
Initial public offering (IPO) (also known as flotation or going public) refers to the very first offering of a company’s shares on the capital market. An IPO is generally linked to admission to listing on the stock exchange. The purpose of an IPO is usually to raise equity. It is usual for a syndicate of several investment banks to advise on an IPO.

**ISIN**
See “International security identification number”.
Jumbo Pfandbriefe
Jumbo Pfandbriefe are bearer bonds issued by real-estate credit institutions such as regional state banks or mortgage banks with an issue volume of at least €1 billion. Five different market makers are also required to provide binding bid and ask prices within set spreads, upon request.

Junk bonds
Junk bonds are high-yield bonds from issuers with credit ratings not as high as those normally required of bonds. An above-average yield is accompanied by the above-average risk that an investor will not get back some or all of the capital invested and also not receive any interest.

By definition, rating agencies rate these bonds as non-investment grade. Junk bonds were created in the USA. They became very popular in the 1980s when they were used to finance corporate takeovers.
Kappa
See “Lambda”.

KapSt
See “Capital gains tax”.

KESt
See “Capital gains tax”.

Knock-in barrier
Knock-in barriers or knock-in levels are found with barrier warrants. A knock-in barrier refers to a minimum price level for knock-in warrants that the underlying must reach in order not to expire worthless at maturity.

Knock-in level
See “Knock-in barrier”.

Knock-out barrier
Knock-out barriers, knock-out levels or knock-out thresholds are found with knock-out options. These are options that expire when defined barriers have been breached.

Knock-out level
See “Knock-out barrier”.

Knock-out products
As with warrants, knock-out products also offer disproportionately high participation in rising (call) and falling (put) prices of an underlying. Knock-out products track the performance of the underlying on a 1:1 basis. This largely eliminates the influence of volatility. Breach of the knock-out barrier normally results in total loss of the invested capital.

Knock-out threshold
See “Knock-out barrier”.

Knock-in barrier
Knock-in barriers or knock-in levels are found with barrier warrants. A knock-in barrier refers to a minimum price level for knock-in warrants that the underlying must reach in order not to expire worthless at maturity.

Knock-in level
See “Knock-in barrier”.

Knock-out barrier
Knock-out barriers, knock-out levels or knock-out thresholds are found with knock-out options. These are options that expire when defined barriers have been breached.

Knock-out level
See “Knock-out barrier”.

Knock-out products
As with warrants, knock-out products also offer disproportionately high participation in rising (call) and falling (put) prices of an underlying. Knock-out products track the performance of the underlying on a 1:1 basis. This largely eliminates the influence of volatility. Breach of the knock-out barrier normally results in total loss of the invested capital.

Knock-out threshold
See “Knock-out barrier”.

Kappa
See “Lambda”.

KapSt
See “Capital gains tax”.

KESt
See “Capital gains tax”.

Knock-in barrier
Knock-in barriers or knock-in levels are found with barrier warrants. A knock-in barrier refers to a minimum price level for knock-in warrants that the underlying must reach in order not to expire worthless at maturity.

Knock-in level
See “Knock-in barrier”.

Knock-out barrier
Knock-out barriers, knock-out levels or knock-out thresholds are found with knock-out options. These are options that expire when defined barriers have been breached.

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Ladder option
A ladder option is an option where the strike set at issue changes over time. There are set prices or “rungs” as on a ladder. If the underlying hits one of these “rungs” the strike is reset to this new level. The issuer credits the difference between the strike valid until that time and the reset strike. The issuer pays out this sum immediately or at the end of the term.

Lambda
The Lambda shows the price movement of a warrant based on the volatility of the underlying. Lambda is also known as vega, kappa or sigma. This indicator shows by what amount the price of the warrant theoretically changes when the volatility of the underlying increases by one unit, assuming theoretically unchanged valuation parameters. A lambda of 0.4 means that the warrant rises or falls by €0.40 solely as a result of a 1-point rise or fall in volatility.

Last day of the month
The last day of the month normally refers to the last exchange trading day of a month. A buy order “until the last day of the month” is valid until the end of the month. Similarly, people also refer to the last day of the quarter or the last day of the year.

Last day of the month order
An order which is valid until the end of the month.

Lead broker/Specialist
Specialists are responsible for determining exchange prices at German stock exchanges. Price determination by specialists is monitored by the trading surveillance office of the relevant exchange.

Leading stock exchange
Leading stock exchanges are the most important exchanges in the world as the majority of those of lesser importance adjust their development to these larger ones. Market participants are also influenced by leading stock exchange guidelines. The leading stock exchanges are primarily New York, Tokyo, London and Frankfurt.

Lead manager
The institution with primary responsibility in a syndicate formed to issue securities is referred to as lead manager or syndicate manager. The lead manager coordinates the syndicate and the bank client in preparing the underwriting agreement and settling the transaction.

Leverage
The term leverage generally refers to any technique used to multiply gains and losses. Leverage means the investor can participate disproportionately in the performance of the underlying. Leverage serves to strengthen (leverage effect). Leverage is the percentage by which the price of a call option will
theoretically rise or fall by if the price of the underlying rises or falls by 1 percent. It is only of limited significance because it assumes equally strong movements in the absolute price of the leveraged product and the underlying. A better measure for determining leverage is the omega.

**Leveraged product**
A derivative which reacts disproportionally to price movements in its underlying. A disproportionately high performance relative to the underlying can be achieved through leverage together with a lower investment of capital.

**Leverage effect**
See “Leverage”.

**LIBOR**
The London Interbank Offered Rate or LIBOR is the interest rate which the most important international banks of the British Bankers Association in London set and at which they borrow money from or are offered money by other banks on the market.

**Limit**
The investor may set a price threshold for the sale or purchase of securities, which is referred to the limit. This price may not be exceeded in the purchase of a security or fallen below in a sale.

**Limit monitoring system**
This system enables a comparison of quotes published by market makers or reference markets on the respective data and trading systems with the order book of the specialist/lead broker. It indicates to specialists/lead broker whether a client order under the current quote on the reference market or by the market maker or against another existing client order may be executed. It immediately processes the order as part of the price determination process.

**Limit order**
A limit order can be a buy order for a number of securities at or below a set price or a sell order at or above a set price.

**Liquidity**
The degree to which a security or financial instrument can be traded in the market. The higher the liquidity the easier it is to trade an asset even in large quantities without affecting the price. A large number of sellers and buyers as well as a high volume of trading activity ensure high liquidity. High liquidity is not normally necessary for most derivative instruments such as certificates since the issuer acts as market maker, ensuring sufficient liquidity under normal market conditions.

**Listing**
Listing, official listing or stock exchange listing refers to official admission to trading of a security. Normally the issuing company applies for listing but in some cases the stock exchange can list a company.

**London Interbank Offered Rate**
See “LIBOR”.

**Long call**
The seller of a call option holds a long call position. This position entitles the investor to acquire the underlying asset on a previously determined date at a set price or if desired, to let the call expire.

**Long hedge**
A long hedge is when the investor buys forward contracts or even equities in order to hedge against future price fluctuation in a long position. This type of hedge is advantageous to investors who would like to purchase an asset in the future but wish to secure the relevant purchase price in advance. A long hedge position can also be used to hedge against an existing short position.

**Long position**
With a long position, the investor holds a position in a security or derivative for which he expects the price to rise.

**Long put**
The buyer of a put option holds a long put position. This position entitles the buyer to sell the underlying asset at a previously determined date and set price or if desired, to let the put expire.

**Long straddle**
Long straddle refers to a strategy in options trading whereby the same number of call and put options with the same underlying, strike and expiration date are bought.
Lot
Lot is the quantity unit for a contract.

Low
A low generally refers to a security’s lowest price within a certain period (day, week, month, historically, etc.).
Management fee
Management fees may be charged for specific certificates. This may be the case with certificates based on an index whose composition has to be regularly checked and adjusted.

Margin
Margin is a prepayment intended as collateral to guarantee fulfilment of a forward transaction. It is made in the form of cash or a credit note from the buyer or the seller. A distinction is made in futures between initial margin and variation margin. For conclusion of a forward transaction, the contracting parties pay an initial margin of approximately 2–7 percent of the contract volume. Depending on contract performance, the investor must either pay a daily variation margin or receives a credit to his margin account. For options, a margin must only be paid when there is a short position.

Market
Market refers to the venue at which the supply and demand for a certain good meet (e.g. the stock exchange for supply and demand of securities).

Market capitalisation
Market capitalisation refers to a company’s stock market value. This value is calculated by multiplying the number of tradable shares by the current market price per share. If a company has ordinary shares and preferred shares, a market capitalisation value is determined for each type of share.

Market maker
A market maker is a broker, trader or financial institution which quotes buy and sell prices for those securities they hold. Market makers thus ensure that the market remains liquid for these securities. In the case of certificates the issuer functions as market maker, ensuring sufficient liquidity – assuming normal market conditions.

Market order
A market order is an order made through a broker to buy or sell an investment immediately at the best available current price, also known as “unrestricted order”.

Market trends
Market trends signal rising or falling prices to investors. Common descriptions include “steady”, “rallying”, “recovering”, “mixed”, “lighter” and “weak”.

Maturity
Maturity refers to the time span between issue and expiry (its “life span”). However there are numerous products whose maturity is not limited (open-ended).
For bonds, maturity refers to the time period between the issue and the final trading day, the day on which redemption occurs.

**Maturity date**
The date at the end of the term of a financial instrument on which the issuer makes the payment to the clearing system to be passed on to the investor – or in the case of physical delivery of a security, makes the delivery.

**MDAX**
Abbreviation of Mid-Cap DAX. The MDAX is a German equities index for mid-cap companies. It comprises the 50 companies that follow the DAX companies, measured in terms of market capitalisation and trading volume. The index is reviewed in March and again in September and its composition adjusted if necessary. It is calculated both as a performance index and as a price index.

**Mid cap**
Refers to a medium-sized listed company.

**Mid-Cap DAX**
*See “MDAX”.*

**Minimum amount**
The lowest payable fixed payment amount due on the payment date. This amount may also be below the capital protection amount used at issue. This means that the repayment of the capital invested is not guaranteed.

**MMI**
The MMI, abbreviation for the US AMEX Major Market Index or the NYSE Arca Major Market Index (ticker symbol XMI), is a selection pool index, tracking the performance of 20 blue chips on the New York Stock Exchange (NYSE). Several of the major stocks are also components of the Dow Jones Industrial Average Index.

**MSCI Index**
An equity index published by Morgan Stanley Capital International (MSCI). It is based on 1,470 share prices from 20 countries. In addition to the global index, MSCI also publishes regional indices.

**Multiplier**
The multiplier for financial instruments specifies the number of units of the underlying to which a financial instrument refers. (For example, an equity warrant with a multiplier of 0.1 refers to 0.1 shares, i.e. on exercising the equity warrant, the holder receives a tenth of the difference between the market price and the strike.)
**Naked warrants**
Naked warrants are warrants that have been issued without simultaneous issue of a warrant-linked bond. In contrast to traditional warrants, naked warrants are not related to company financing projects. They are primarily issued by banks and brokerage firms. Covered warrants represent a subgroup of naked warrants. They often incorporate a cash settlement instead of receipt/delivery of the underlying asset.

**NASDAQ**
This stands for the National Association of Securities Dealers Automated Quotation System and refers to the largest electronic stock exchange in the US, based in New York. The exchange is operated by the NASDAQ OMX Group. Trading commenced on February 8, 1971. At the end of January 2011, around 2711 companies were listed on NASDAQ – more than on any other US trading platform. The largest indices listed on this stock exchange are the Nasdaq Composite, which contains over 3,000 technology companies and the Nasdaq 100, which contains 100 equities of American and international non-financial companies.

**Nikkei index**
This generally refers to the Nikkei 225 and is the benchmark index of the Japanese Stock Exchange in Tokyo, which is calculated by the Nihon Keizai Shimbun newspaper. The index measures the share performance of 225 of Japan’s most important companies. The Nikkei index is a price index.

**Nominal amount**
See “Nominal value”.

**Nominal interest rate**
Nominal interest refers to the stated interest rate applied to investments or loans and specifies the interest the instrument bears, without adjustment for inflation.

**Nominal value**
The nominal value (also referred to as par or face value or nominal amount) of a share states the portion of share capital of a stock corporation that is allocated to the individual share. The total nominal value of all shares issued equals the total nominal share capital. In Germany the minimum nominal value for shares is currently €1,00. There are, however, also no par value shares.
For bonds, the nominal value corresponds to a portion of the total debt. The nominal value represents the amount that the bond issuer, i.e. the debtor, must repay the bondholder or creditor upon maturity. Reverse convertibles also have a nominal value. At maturity, the issuer has the right to either pay the investor 100 percent of the nominal value or to deliver a previously agreed number of shares. The
issuer also makes one or more coupon payments on the nominal value to the investor during the term.

**NYSE**

NYSE stands for the New York Stock Exchange, the world’s largest securities exchange. It is a member of the NYSE Euronext Group. The NYSE is also often referred to as “Wall Street” after the street on which it is located. The NYSE is frequently equated with the entire US stock market.
Official listing

see “Listing”.

Omega

Omega represents a leveraging effect. The omega indicates the percentage by which the price of a warrant would change if the underlying rose or fell by 1 percent. It is calculated by multiplying the leverage factor by delta.

A warrant with a leverage factor of 10 and a delta of 0.5 has an omega of 5. The price of this warrant therefore moves by around 5 percent if the underlying moves by 1 percent.

One cancels the other

A one-cancels-the-other order combines two order restrictions. It combines a sell order with a stop-loss order below the current price level for the purpose of hedging. On the buy side, the investor sets a purchase limit either below or equal to the current market price and a stop buy limit higher than the current market price. If the price reaches one of the limits and triggers execution, the bank automatically cancels the other order.

On the close

“On the close” orders are executed when the stock exchange closes at the end of a trading day.

Opening price

The opening price is the price at which a security first trades in continuous trading after the stock exchange opens for the day.

Open interest

Open interest or outstanding commitments shows how many positions of a certain contract are still held by market participants.

Open Market

The Open Market has been the name for regulated unofficial trading at the Frankfurt Stock Exchange since 2005. It is an exchange-regulated market where German and foreign shares, bonds and warrants are traded.

Option

An option (from Latin: optio = choice) gives the owner the right, but not the obligation, to buy or sell a certain quantity of an underlying instrument from the option writer at an agreed-upon price within a certain period of time. The option contract specifies the price and amount of goods offered. Call options convey the right to buy the instrument at a certain price. Put options convey the right to sell a specific instrument at a pre-agreed price. An option becomes worthless if it is not exercised by the last trading day.
Option expiration

The end of the agreed period in which the option right may be exercised.

Option contract

The German Federal Court of Justice defined an option contract as follows in a judgement on October 22, 1994:

“An option contract involves acquiring or conferring the right to buy or sell a certain number of securities of a certain type of share (underlying) admitted to trading at any time during the term or at a specified time at a price agreed in advance by the counterparty (option writer). In return for this right, the buyer pays the option price.”

There are 4 basic positions in option contracts:

1. purchase of a call option
2. sale of a call option
3. purchase of a put option
4. sale of a put option

Depending on the price performance of the underlying (e.g. equity, index, futures contract, currency), the purchaser of a call option (1) or put option (3) has the opportunity to exercise the option by the expiration date or to refrain from exercising the option and to accept a loss in the amount of the option price. The investor acquiring the option may also choose to sell it on the market again during the option term. If the investor's price expectations prove incorrect during the term of the option, the loss suffered from this transaction is limited to the option price.

Sellers of a call option (2) or put option (4) have the opposite price expectations. Sellers of call or put options act as option writers when the option is exercised, meaning that they must supply or acquire the relevant shares.

If the investor does not exercise the option and allows the expiration date to pass without explanation, the option becomes worthless.

Option holder

The owner of an option contract, with the right – but not the obligation – to buy or sell the underlying at the exercise price.

Option premium

See “Option price”.

Option price

The option price or premium is the amount to be paid by the option buyer to the option seller in return for the option right. The option price must always be paid, even if the option right is not exercised. The amount of the option price depends on the current price of the underlying, the exercise price, exercise period and the volatility of the underlying.

Option price model

Mathematical model for calculating the theoretical option price and the implied volatility of an option. The best-known models include the Black-Scholes and the Cox-Ross-Rubinstein option pricing model.

Option right

See “Option”.

Option writer

An option writer is the seller of an option. This role is usually fulfilled by banks or investment firms. For a call option, the option writer must hold the underlying security in order to deliver it to the buyer if the option is exercised. For a put option, the option writer must hold sufficient cash to buy the option.

Order

An order is an instruction to buy or sell securities or derivatives on the stock or derivatives market.

Order book

The order book provides an overview of the orders for a share, bond or derivative. All investors' orders are collected here and sorted into buy orders, sell orders and limits. The specialist, a quality and liquidity provider (QLP) or a fully electronic system compares the buy and sell prices it has calculated (quotes) with the buy and sell prices of the orders and sets a price accordingly.

OTC

See “Over the counter”.

OTC derivatives

Financial instruments that are not standardised and not listed on a stock exchange, but instead traded directly between market participants.

OTC market

See “Over the counter”.

Op – Ot
OTM
See “Out of the money”.

Out of the money
Out of the money (OTM) describes the intrinsic value of an option, i.e. the amount that can be realised by exercising an option right. In the case of a call option, the strike is greater than the current price of the underlying. In the case of a put option, the strike is lower than the current price of the underlying. Compared to a direct transaction on the spot market, a loss would be realised when exercising an option that is out of the money. This is because the option has no intrinsic value.

Outperformance certificates
With an outperformance certificate the investor participates disproportionately highly in price gains of the underlying. In the event of price losses, however, the investor only participates 1:1. The investor has no claim to a possible dividend.

Over the counter
Over the counter (OTC) means off-exchange trading. In contrast to exchange trading there are no fixed trading hours. Trading usually takes place internationally via trading screens, telephone systems and the Internet. The price of a security is negotiated between banks and securities or investment firms and institutional or private investors. The transactions are subject to the applicable statutory provisions for securities trading.

Over-the-counter market
See “Over the counter”.

Ov – Ot
Parity
Parity (from Latin: paritas = equality) describes a one-to-one exchange rate between two currencies. On the stock exchange it also means the price resulting from the conversion of the listing price of a foreign security into the domestic currency of the stock exchange.

Partial protection certificate
Partial protection certificates are products in which the investment capital has a predefined security cushion against falls in the price of the underlying at maturity. If the price of the underlying is below the defined knock-in barrier at maturity, this causes a barrier event. The product usually converts into a participation certificate which participates one-to-one in the underlying’s price movements and thus in its losses. The bonus certificate is one of the best-known forms of partial protection products.

Participation certificate
see “Index certificate”.

Participation factor
The factor determining higher or lower participation in the performance of the underlying in calculating the amount of the payment.

Passive management
Passive management aims to track index development as closely as possible. In contrast to active management, it does not attempt to beat the performance of a benchmark index.

Payout amount
The amount paid by the issuer of the certificate to the investor upon maturity of the certificate, i.e. at the end of the term.

Payout level
Price threshold which, if it is reached at a certain point during the term of an express certificate, leads to the early redemption of the certificate and a payout in the amount specified in the terms of issue.

P/E
See “Price-earnings ratio”.

P/E ratio
see “Price-earnings ratio”.

Performance
Performance refers to the value development of an investment or portfolio. A benchmark i.e. a reference value is generally used to show the performance in comparison to the market as a whole or to individual sectors. Performance is measured in percentage.
Performance index
A performance index shows both price development of the shares it includes, and the dividends and bonuses distributed at the companies it includes. It therefore tracks the total return more precisely than a price index. The DAX is the best-known German performance index.

Physical delivery
Physical delivery of the underlying at maturity may be intended depending on the product terms. In this case, a corresponding number of the underlying assets will be transferred to the investor’s securities account on maturity, assuming the conditions for doing so have been met. Physical delivery usually only applies for products based on the performance of shares. Other products are settled in cash at maturity.

Physical securities
Physical securities are physically printed securities which can be physically delivered as part of a counter transaction. These are not transferred to a custody account; instead the investor is physically handed the physical securities to hold in their own custody. When keeping securities in their own custody investors must, however, heed the interest payment dates and the date of redemption. There is also a risk that the physical securities may be lost as a result of theft or fire.

PIS
see “Product information sheet”.

Plain vanilla warrant
Plain vanilla warrants (plain vanilla = very simple) grant the right, but not the obligation, to purchase (call warrants) or sell (put warrants) a certain amount of an underlying at a fixed strike price. This can be either at a fixed time (European style) or within a certain period (American style).

Placement
This refers to the sale of a newly issued security on the capital market.

Placement volume
see “Issue volume”.

Plain Vanilla
See “Classical warrants”.

Portfolio
Portfolio (from Latin: portare = to carry, folium = sheet; French: portefeuille = wallet, briefcase) refers to the collection of securities owned by an investor.

Pre-market trading
Pre-market trading means trading before the official opening of the stock market. This trading is usually carried out between individual banks via electronic trading systems.

Premium
The premium or agio (from Greek: allag = exchange) for securities such as bonds is the amount by which their price exceeds the nominal value. The premium is normally expressed as a percentage. Premiums often exist when subscribing to bonds or investment certificates through bank branches. The premium is also used in valuing warrants. If an investor exercises his theoretical right to purchase the underlying (e.g. a share), the premium or agio denotes the estimated surcharges compared to the direct purchase of an underlying at the stock exchange.

Present value
The present value is the current worth of a stream of future payments. It is calculated by discounting payments due in the future and adding them together. The present value is used alongside the yield as an important figure for analysing bonds.

Price
Price in this context refers to the price of securities and other products which is determined on the stock exchange. The price is affected by supply and demand.

Price discount
See “Discount”.

Price-earnings ratio
The price-earnings ratio (P/E ratio) is the relationship between the share price and the company’s earnings per share.

Price index
A price index tracks the pure price development of the equities contained therein. Dividend payments and changes in capital are not reflected in a price index. If an index member pays dividends, the index reacts with a price discount. Some of the most
important international price indices are the Dow Jones, Nikkei 225 and FTSE 100.

**Price range**
Price calculation for securities also uses reference markets. The price range stretches from the maximum discount on the bid price to the maximum premium on the ask price on the reference market.

**Price slump**
A strong and persistent fall in a single price or all prices is often referred to as a price slump.

**Primary market**
The primary market is the financial market for the initial issue and placement of securities.

**Primary shares**
Primary shares are new shares that a stock corporation issues to raise capital. Primary shares are first offered to existing shareholders as they have a right of first refusal (subscription right). If existing shareholders do not exercise their subscription right, the remaining primary shares are traded on the stock exchange. Due to their dividend disadvantage, primary shares are initially traded separately on the stock exchange. Once they yield equal dividends they become shares of full value.

**Prime Standard**
The Prime Standard is a listing segment of the Frankfurt Stock Exchange for companies meeting particularly high transparency standards. They are required to prepare annual financial statements in accordance with international accounting standards (IFRS or US GAAP), publish quarterly reports in English, maintain a company calendar, hold one analyst conference per year and publish ad hoc announcements in English. Companies must be listed in the Prime Standard in order to be included in the Deutsche Börse selection indices such as DAX, MDAX, SDAX and TecDAX.

**Product information sheet**
A product information sheet comprising a maximum of three pages has been required to be provided to customers in the context of investment advice by banks and saving banks since July 1, 2011, prior to the customer’s investment in a financial product. It contains the most important details on the investment product recommended by the advisor. The product information sheet is currently only mandatory for securities investment, i.e. equity funds, equities, certificates, etc.

**Prospectus**
Every investment product has in addition to the term sheet also an extensive prospectus. This provides at great length all information about the product’s terms and conditions. This includes risk factors, information about tax and detailed information about the product.

**Put**
A put option or option to sell grants the seller the right (but not the obligation) to sell or deliver a certain amount of the underlying asset at the fixed strike price on the exercise date. Delivery of the actual underlying is replaced by a cash payment with put warrants. This cash amount is equal to the difference between the price of the underlying on the exercise date and the strike price.

**Put option**
see “Put”.

**Put-writer**
The seller of a put option.
**Quanto**
A quanto is a special type of currency hedge, whereby the underlying is denominated in one currency, but the instrument itself is settled in another currency at a fixed rate.

**QLP**
*see “Quality and liquidity provider”.*

**Quote (noun)**
A quote is an offer to buy or sell a security.

**Quote (verb)**
To be quoted is to be admitted to official quotation by the Board of Admissions and included in the official quotations list.
Range
Range describes a certain area between the fixed upper and lower price limits.

Range certificate
Range certificates are a type of outperformance certificate and have two price thresholds. Price movements of the underlying between these thresholds are leveraged. If the underlying is listed within the range at maturity, the investor receives the share plus a cash settlement equal to the difference between the price and the lower threshold. If the price is below the range, the investor receives only the share. If the price exceeds the range, the investor receives a cash settlement equal to the upper threshold plus the difference between the upper and lower thresholds. Range certificates are especially useful when investors do not expect the underlying to make either strong gains or strong losses before maturity.

Range warrant
Range warrants, corridor warrants or hamster warrants entitle the holder to a fixed sum (credit) if the underlying, that is, a share, an index or commodity, is listed within a certain range/corridor during the term. The issuer pays the investor the total of such sums accrued at the end of the term. These warrants are useful in sideways markets.

Rate of exchange
See “Exchange rate”.

Rating
Rating agencies evaluate credit-worthiness of a debtor. The better the rating, the more likely it is that the debtor can meet financial obligations. The most important international rating agencies are Moody’s, Standard & Poor’s, and Fitch. The criteria considered in the rating include the current debt situation, conditions regarding the location and corporate strategy.

Real time
Stock exchange prices are usually stated with a 15-minute delay. Real-time prices are published without any delay. Stock exchanges often charge different fees for real-time prices.

Redemption
The buyback or repayment of a debt to a creditor is known as redemption. Fixed income securities such as bonds, notes, or Pfandbriefe are redeemed in accordance with their terms of issue.

Reference price
The reference price is the price of the underlying on the valuation date(s) used in calculating the payout amount.
**Reference rate**
The reference rate is a representative interest rate, generally a short to medium-term one used as a benchmark for changes in other interest rates. Important international reference rates include the EURIBOR (Euro Interbank Offered Rate) and LIBOR (London Interbank Offered Rate).

**Regulated market**
A multilateral system of multiple third-party buying and selling interests in financial instruments operated and/or managed by a government-appointed body. In Germany, the Regulierter Markt replaced the Geregelter Markt on November 1, 2007.

**Residual maturity**
Residual maturity is the remaining period until a security falls due or option rights expire.

**Reverse conversion**
Reverse conversion is an arbitrage strategy in which a short future is combined with a synthetic long future (long call and short put with the same exercise price).

**Reverse convertibles**
Reverse convertibles pay a coupon regardless of the performance of the underlying. The type and amount of redemption at maturity depends on whether the underlying is at, above or below the strike at the valuation date. If the underlying is greater than or equal to the strike, the investor receives the nominal amount. If the underlying is below the strike, the investor receives either the value of the underlying or delivery of the underlying itself, depending on the terms of the reverse convertible.

**REX**
REX stands for the German bond index (Deutscher Rentenindex), which expresses the value of a representative segment of the German bond market. It is calculated by the Frankfurt Stock Exchange on the basis of 30 domestic bonds issued by the Federal Republic of Germany.

**Rho**
Rho is a dynamic indicator that measures the sensitivity in the price of a warrant given a change in the interest rate level.

**Right of termination**
Certain certificates may be terminated by the issuer at fixed dates. The issuer also reserves the extraordinary right of termination in the case of extraordinary events, for example delisting of the underlying asset.

**Rolling discount certificates**
Rolling discount certificates invest on a continual basis in synthetic discount certificates which generally have one month remaining until maturity. The cap is aligned to the prevailing market situation. This repeated reinvestment creates a theoretically endless term for the rolling discount certificate. However, the issuer reserves the right to terminate the certificate.
Savings plan calculator for certificates
Investors can simulate the development of their capital using the savings plan calculator. By entering the data requested they can find out how their capital would have developed in the past by regularly investing in a particular certificate.

SDAX
SDAX is a German small-cap index. It was launched on June 21, 1999. It comprises the 50 next-largest companies below those in the MDAX. Admission to this index is based on market capitalisation and exchange turnover. The SDAX is a performance index, i.e. dividend payments are taken into account in calculating the index.

SEC
see “Securities and Exchange Commission”.

Secondary market
The secondary market is the part of the financial market in which already issued securities are traded. Stock exchanges are the most important secondary markets.

Securities
Securities are the financial instruments tradable on the capital market (stock exchange) which serve the purposes of investing in or raising capital. Securities include shares, bonds, covered bonds (Pfandbriefe) and investment fund units.

Securities account
A securities account is an account used for securities transactions, such as buying, selling or transferring shares, and for depositing securities.

Securities account statement
Securities account statements are intended to correctly show the holdings in the securities account on a given date. The securities account statement gives the investor a breakdown of the individual securities entrusted to the bank, including how many of them are held, their par value, the exact name of the type of security, including details of its features such as series or group etc., and the type of custody.

Securities and Exchange Commission
The Securities and Exchange Commission (SEC) is the most senior authority that regulates the entire US securities market.

Security
A security is a document which certifies certain rights, such as a co-ownership in a company. Without the document, the right cannot be asserted. The term security includes shares, bonds, warrants, notes and convertible bonds.
Settlement
Settlement is the fulfilment, booking and completion of a financial transaction. It is carried out by clearing houses or central securities depositories. Settlement can be in the form of cash (cash settlement) or physical delivery of the underlying (physical settlement).

Settlement price
The settlement price is determined each day by the clearing house. It is calculated using the range of prices traded during the closing two minutes of the trading day and is therefore not necessarily equal to the closing price. The settlement price is used to calculate daily profits and losses of open futures positions.

Share
A share is a security that represents a unit of ownership in a company.

Shareholder
The shareholder or stockholder owns part of a stock corporation in the form of shares. He acquires such a stake in a company by buying or subscribing shares and relinquishes this stake upon sale of the shares. The most important rights of a shareholder include the right to participate in the Annual General Meeting (AGM), voting rights and rights to certain information about the company. The shareholder has a right to a share of the company’s profits in the form of a dividend payment. Shareholders do not have direct influence on the company’s management; however the executive board may ask shareholders to participate in management-related decisions at the AGM. Shareholders are only responsible for the company’s liabilities to the amount of their investment.

Share market
The share market is a part of the capital market in which shares representing a company’s capital can be traded.

Short
Investors are said to go short when they sell a position they do not own (short-selling). They make the sale in the expectation that they will be able to repurchase the open position (“covering”) at a lower price. (antonym: long)

Short call
A short call involves selling a call. The seller simultaneously undertakes to deliver the underlying to the buyer according to terms specified in advance in exercising his option.

Short covering
Short covering is the buying back of shares to close out a short position.

Short hedge
Entering a short position on the future market in order to hedge a long position on the spot market.

Short position
Investors are said to have a short position when they sell stocks they do not own with the intention of buying them back for a cheaper price at a later date. It can also refer to a market participant (option holder) who has sold an option or future contract. A short position also describes a strategy in which an investor bets on falling prices using put warrants or put knock-out products.

Short put
In a short put a seller sells a put option. The seller simultaneously undertakes to buy the underlying from the buyer according to terms specified in advance in exercising his option.

Short selling
Sale of securities of which the seller does not actually have possession is referred to as short selling. In short selling, the sellers take a bearish stance and speculate on being able to later re-acquire the securities sold but at a cheaper price. The difference between the sale price and the purchase price is the profit on the short sale. As the short seller must deliver the asset sold within two to three business days, he is normally obliged to obtain the securities by means of securities lending or a repurchase agreement. He pledges collateral of either securities or cash to the counterparty.

Sigma
see “Lambda”.

Single cash price
See “Spot price”.

Small and mid-caps
Small and mid-caps are equities issued by new or smaller-sized companies which are not yet listed in the DAX or in any other international blue chip index. In Germany, small and mid-caps are included in either the MDAX or the SDAX.

Small cap
Small Caps are small-sized companies with low amounts of equity capital.

Small-cap index
See “SDAX”.

Smallest trading unit
The “smallest tradable unit” represents the minimum number or nominal value an order must have to be executed in stock exchange trading.

SMI
SMI is the abbreviation for Swiss Market Index. This is the benchmark index of the Swiss stock exchange. It contains 20 stocks. The SMI is a price index, meaning that dividend payments are not taken into account in calculating the index.

Soft commodities
“Soft commodities” is a term for commodities that are renewable primary products, such as coffee, sugar, corn, and other grains.

Spot market
See “Cash market”.

Spot price
The spot price (or cash price) is the price determined on the spot market. The spot price is also known as the cash price or average price of a security in floor trading at Deutsche Börse for securities that are not traded continuously due to low liquidity.

Spread
Spread generally describes the difference between two prices, often the bid and ask price of a security or asset in trading. It is also used to describe the difference between the issue price and current price of a security.

Sprint certificate
A sprint certificate enables investors to benefit disproportionately from a gain in the underlying within a certain range above the strike. The maximum possible profit is limited by the cap. In the event that the underlying’s price falls below the strike, the investor only participates 1:1, i.e. the leverage is eliminated. However, investors do not receive any dividends in this case.

Stock exchange
The stock exchange (From Latin: bursa = leather bag, money bag) is an organised market for assets such as securities, currencies and commodities. The stock exchange matches demand and supply. The origin of the German word Börse is often attributed to a merchant family by the name of “van der Beurse”, who lived in Bruges in the 16th century, where regularly meetings of traders were organised. A stock exchange is where securities are traded.

Stock exchange listing
See “Listing”.

Stock exchange turnover statistics
Turnover statistics include all transactions carried out by both banks and brokers. Daily turnover is compared on a monthly, quarterly and annual basis.

Stock exchange venue
In its traditional form, an exchange or trading venue is place where brokers meet and conclude transactions in person. Important international stock exchanges are located in New York (NYSE and NASDAQ), London (LSE), Frankfurt, Hong Kong and Tokyo.

The most important trading venue in Germany is the Frankfurt Stock Exchange. There are also regional exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart.

Real trading floors have nearly become obsolete. These days, trading mostly takes place on computers. Computer-supported trading systems such as the German-Swiss XETRA take over the role of the broker. There are also multilateral trading facilities (MTF) such as Chi-X, a network that works similarly to a stock exchange by bringing together financial market buyers and sellers in accordance with certain rules.

Stockholder
See “Shareholder”.

S – St
Stock index
A stock index is a compilation of different numbers of stocks that aims to reflect the performance of the equity market as representatively as possible. The German benchmark index DAX comprises 30 stocks, while the S&P 500 Composite consists of 500. The best-known stock indices in Germany are the DAX, the MDAX and the FAZ stock index. Stock indices exist in the form of both price indices and performance indices. In the US, the Dow Jones Index and the S&P 500 Composite are the best-known benchmark indices.

Stop-buy order
Buy order that is automatically executed as soon as the price reaches or rises beyond the stop-buy limit. This strategy is of interest to investors who want to participate in rising prices.

Stop-loss order
Sell order that is automatically executed as soon as the price falls below an established lower limit (stop-loss limit). This protects already earned profits.

Stop-loss threshold
If an underlying breaks through the stop-loss threshold (equivalent of the knock-out barrier in a traditional knock-out product), the product becomes prematurely due and a residual value including remaining financing costs is normally paid out to the investor.

Strategy certificate
see “Theme certificate”.

Strike
The strike, exercise price or reference price is the price at which a warrant buyer may buy (call) or sell (put) the underlying. The investor may acquire or sell the underlying either at the end of the term (European option) or at any point during the term (American option).

In the case of knock-out products, the strike is often equal to the knock-out threshold, which, if breached, renders the knock-out product worthless.

For reverse convertibles, the strike is the threshold that determines whether repayment should be made in cash at the face value or by delivering shares.

Structured bonds
Structured bonds are interest-bearing securities with various additional features. The coupon amount may depend on the performance of the underlying. The bonds offer investors 100 percent capital protection upon final maturity.

Structured products
Structured products such as certificates are created by combining several other financial products.

Subordinated bonds
Subordinated bonds are bonds whose holders, in the event the bond issuer becomes insolvent, are serviced after other higher-ranking claims have been paid from the liquidation holdings. They thus have subordinate status to senior bonds from the same issuer. Due to this disadvantage, the yield is normally higher than for comparable non-subordinated bonds from the same company.

Subscription
Subscription means committing to acquiring a certain quantity of newly issued securities such as shares or bonds. This is done through a written declaration on the subscription form. The subscription agent, usually a bank, is charged with accepting subscriptions for new securities. The details of the subscription terms and conditions and the subscription period are specified in the offering.

Subscription period
A subscription period is a period within which investors can submit purchase orders for a new issue. The period is also known as the book building phase. The issuer does not publish the issue price or the terms of allotment until after the end of the subscription period.

 Syndicate
A syndicate or underwriting group is an association of companies or banks formed for a limited or an unlimited period of time with the aim of jointly executing a transaction. The most common form of syndicate is the banking syndicate to place securities or issue loans. A syndicate is formed according to a strict hierarchy. The members perform the distinct roles of lead arranger, arranger, manager, co-lead manager and participant.
**S & P 500 Composite Index**

The Standard & Poor’s 500 Composite Index (S & P 500 Composite Index) is one of the most important American indices and is published by the US-based rating agency Standard & Poor’s. The S & P 500 index comprises 500 companies. The stocks in the index are weighted in accordance with their market capitalisation. The classic S & P 500 Composite Index is a price index, i.e. it does not take into account dividend payments.
**Tap issue**
When an issuer issues new securities on an ongoing basis this is described as tap issue (or issue on tap). Instead of the placement of an issue with a total volume, new securities are issued continually. This is primarily the case with federal bonds (Bundesobligationen), as the government frequently needs new capital, whereas industrial companies’ financing needs are usually for individual investments.

**Tap issuer**
Issuers who regularly issue securities due to an ongoing need for financing (e.g. mortgage banks, regional state banks (Landesbanken), Industriekreditbank, public sector institutions).

**TecDAX**
The TecDAX tracks the performance of the 30 technology-sector companies with the largest market capitalisation and trading volume, on the basis of which they rank below those of the DAX. The index is calculated as a price and a performance index. The TecDAX was launched on March 24, 2003.

**Terms**
Certain features of financial products, such as interest rate, issue price, maturity, redemption etc. are referred to as the terms.

**Term sheet**
A term sheet is a document summarising the terms and conditions of a warrant or certificate. It includes the most important details, such as the ISIN, the product, the issue price, the term and other product-specific features.

**Theme certificate**
Theme, strategy and basket certificates track the performance of equity baskets or indices. They are compiled and calculated by the issuer of the products or by an independent index provider. The securities in the index or basket usually follow an overall theme, e.g. they are all part of the same sector. A distinction is made between a static and a dynamic basket. While the composition of the static equity basket or index basket does not change during the term, the content of the dynamic basket and the weighting of the individual securities are adjusted.

**Theta**
The dynamic indicator Theta measures an approximation of the daily rate of loss of an option’s value when all other variables remain constant. A Theta of 0.01 thus means that an option converted on the basis of a 1:1 ratio will lose one cent in value per day if all other parameters remain unchanged. Theta usually relates to one day or one week. The time value of an option falls as it approaches expiry. Particularly with warrants which are out of the money
or at the money, Theta increases sharply towards expiry. The value of these securities is determined almost entirely by their time value. At expiry, Theta finally reaches zero.

**Time value**
The difference between the warrant’s price and its intrinsic value. The less time there is remaining until the warrant’s expiry and the lower the volatility of the underlying, the lower the time value is. The time value declines disproportionately as the warrant’s expiry draws closer. On the expiry date, the warrant’s time value is zero. The warrant’s value is then equal to its intrinsic value.

**Trading day**
A day is the day on which stock exchange trading takes place.

**Trading floor**
The trading floor, or stock exchange floor, is the name given to the trading room at a stock exchange. Floor trading is conducted “on the floor” in the trading room. In floor trading, the spoken word is legally binding in a transaction. Floor trading participants include lead brokers/specialists, financial service providers, credit institutions and their exchange traders.

**Trading hours**
Trading hours refer to the period during which a stock exchange is open for trading each trading day.

**Trailing stop buy**
With a trailing stop buy, the stop buy limit is automatically adjusted when prices are falling. With this form of buy order, the order trails the falling price at a fixed distance. If the limit is reached or exceeded, the buy order is executed. Thus there is no need for the investor to constantly track the trading and to adjust the stop loss order according to the share performance. If the price rises, the limit remains unchanged and is not adjusted.

**Trailing stop loss**
With a trailing stop loss, the stop loss limit is automatically adjusted when prices are rising. With this form of sell order, the order trails the rising price at a fixed distance. If the price reaches or falls below the limit, the sell order is executed. Thus there is no need for the investor to constantly track the share performance. If the price falls, the limit remains unchanged and is not adjusted.

**Troy ounce**
The troy ounce (from Latin: uncia = one twelfth) is used as a unit of measure for precious metals. The price for gold, silver, platinum and palladium are all given in dollars per troy ounce. A troy ounce is equal to approximately 31.1035 grams.

**Trustee securities**
Trustee securities are investment instruments for which a minimal risk can be assumed. They include fixed-income securities issued by the public sector or by mortgage banks, the German federal states etc.
Underlying
The underlying is the asset (shares, indices, currencies, commodities, futures contracts, or combinations of instruments in the form of baskets) referenced by the financial instrument. The underlying determines the price of the financial instrument.
**Valuation date**
The day on which the underlying is valued for the purpose of calculating the payout amount, and on which the type of redemption (cash settlement or physical delivery) is decided.

**Value at Risk**
Value at Risk is a method for calculating the potential loss in the trading position which could arise from price movements. This potential loss is calculated on the basis of market-oriented price changes and stated on the assumption of a certain probability. The German derivatives association Deutscher Derivate Verband (DDV) categorises all products into different risk classes according to their Value at Risk (VaR). 1 describes the lowest and 5 the highest risk class.

**VaR**
see “Value at Risk”.

**VDAX**
VDAX is the abbreviation for the DAX Volatility Index. The VDAX indicates the volatility which market participants expect in the DAX for the following 45 days. It is based on DAX option prices. The VDAX thus indicates the implied volatility expected by investors.

**Vega**
see “Lambda”.

**Volatility**
Volatility (from Latin volatilis: fleeting, volatile) is the measure of the intensity of price fluctuations over a fixed period of time. It is a mathematical measure (standard deviation) of an investment’s risk. Volatility is expressed in percent and serves as a risk measure. A distinction is made between implied volatility and historic volatility.
Warrants

Warrants offer leveraged participation in rising (call) and falling (put) prices of an underlying. The price is influenced not only by the movement of the underlying, but also by other factors such as volatility or residual maturity. If the price of the underlying at maturity is below (call) or above (put) the strike, the investor loses all capital invested.

Wertpapier-Kennnummer

see “WKN”.

WKN

WKN (Wertpapier-Kennnummer) is an acronym for the German securities identification number. It is a six-digit alphanumeric code for the identification of a security. Its purpose is to unambiguously classify securities. The WKN is to be superseded by the International Security Identification Number (ISIN). WM Datenservice (Herausgebergemeinschaft Wertpapier-Mitteilungen, Keppler, Lehmann GmbH & Co. KG) is responsible for issuing WKNs and ISINs in Germany.
XETRA
XETRA is the fully electronic trading system for Deutsche Börse’s spot market. It was launched in November 1997. Buy and sell orders from licensed traders around the world are matched in a central computer and automatically executed if the quantity and price match. Designated sponsors ensure additional liquidity in trading.

XONTRO
XONTRO is the electronic, broker-supported trading system of the German stock exchanges. It enables trading in all listed national and international securities. XONTRO thus supports the entire trading process from order submission and routing to broker-supported pricing to trade settlement and forwarding the trades on to the delivery procedures. XONTRO is used on all German stock exchanges.

Yield
The total income from a security is referred to as return or yield. This is the ratio indicating the income from a security, expressed as a percentage of the capital invested.

Zero bond
see “Zero-coupon bond”.

Zero-coupon bond
Zero-coupon bonds are those which bear no regular interest payments. They are discounted upon issue that is issued with a high discount on the nominal value. They are then redeemed at nominal value at maturity.