Deutscher Derivate Verband

The curtain goes up

→ This annual report serves a number of purposes. The first is to review the past year and describe the most important political developments, projects and special events. The second is to give people an insight – as implied by the title of the report – into the inner workings of our association: who are the people who helped shape the future of the association and were involved in big decisions as members of the various committees? What issues did we concentrate on? And what did we achieve on key issues, such as investor protection and transparency? When an association like DDV commits itself to bringing about greater transparency, it should also live up to the same standards itself.

As a political interest group, DDV plays a key role in the political decision-making process at the German and European level. The Association is the point of contact for politicians and supervisory bodies in all matters concerning the structured products sector. Getting involved in in-depth discussions with political decision-makers and monitoring parliamentary initiatives are among our core tasks. We assert our opinions and demands very openly and transparently. The relevant policy documents and petitions are available on our website for anyone to read.

Like 2013, the year 2014 was dominated by numerous extensive regulatory projects at both the German and the European level. Cost transparency for financial products was just one of the many areas dealt with by DDV. It established new standards for structured products on behalf of retail investors, and was frequently consulted by the German and European supervisory authorities, BaFin and ESMA.

One of the key topics in this annual report is the taxation of securities, which is of major importance for the securities investment culture in Germany. This concerns not only the financial transaction tax, which is on shaky foundations under European law. We also ask when the German Federal Ministry of Finance will finally change the unsustainable practice whereby gains and losses on securities are treated differently in terms of taxation.

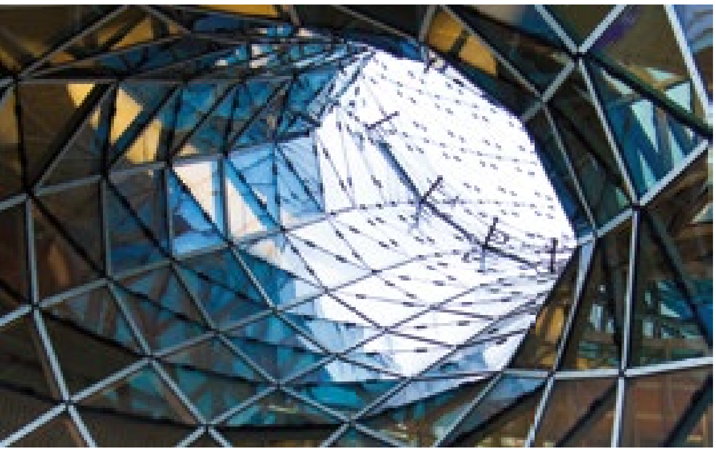
We are delighted with the interest being taken in our work by the media, political decision-makers and also many retail investors. We are also grateful for the active support of our members and sponsors. We are sure that 2015 will be another exciting year for the structured products sector.

Berlin and Frankfurt / Main, March 2015

Dr Hartmut Knüppel
CEO and Member of the Board of Directors

Dr Hartmut Knüppel

> ‘Our standards for transparency are all-encompassing: they apply to financial products, political communication and the Association itself.’



SHAPING OPINIONS

Political communication: at the core of the association's activities

Page 8

As the voice of the structured products sector, DDV is the point of contact for politicians and supervisory authorities.

AT THE HEART OF THE ACTION

Outstanding: best structured products association in Europe

Page 16

DDV's commitment to greater transparency and investor education is recognised in Europe.

WORKING TOGETHER

The German Derivatives Day: an increasing spiral of tightening regulations

Page 20

An opportunity for issuers, regulators, investor protection bodies, journalists and academics to get together.

Contents

A political construction site: **taxation of securities**

Policymakers are setting the course for private and company capital accumulation schemes and for a sustainable pension system. In the current low-interest environment, it is especially obvious that investment in securities has a key role to play. This applies to all securities – including equities, debt instruments (bonds), investment fund units, structured products and German Pfandbriefe (covered bonds). One of the factors retail investors look at when making an investment is the tax on the securities – after all, they want to know what they will have left over once any deductions have been made.

→ Imagine the situation: you make a gain of 100 percent on your financial instrument and are taxed on the whole amount. On another occasion you make a loss of 99 percent and this is tax-deductible – in other words, you can offset it against any gains. But supposing you make a loss of 100 percent on a securities investment. The tax authorities will tell you that you cannot claim it against tax, so you have to bear the loss yourself. Crazy? Yes, but true, in Germany.

Since this absurd rule also affects the German structured products industry if investors willing to take risks make a total loss on securities such as leverage or knock-out products, DDV has made several complaints to the Federal Ministry of Finance. However, the Ministry of Finance turns a deaf ear and uses ludicrous arguments to maintain a position that anyone with any sense of fairness would see as a travesty of justice.

Unfair: the tax treatment of losses on securities investments

This is not about reasonable, consistent taxation, but about taking in as much as possible in taxes. Some investors have refused to accept it and have taken legal action – mostly with success. But even legal action has left the Federal Ministry of Finance unimpressed. Against this background, every investor affected would be well advised to get a good lawyer and go to court.

However, the situation also has a political dimension. By taking this position, the Federal Government and the Ministry of Finance, both of which publicly favour the promotion of securities investment in Germany, are putting another nail in the coffin of the securities investment culture in Germany.

If members of the German coalition government do not take up this issue and the tax authorities maintain their current position, retail investors can only turn to the Federal Fiscal Court. The position it has taken in its latest judgements suggests that a ruling in investors' favour could be expected.

Counter-productive: the financial transaction tax

Now the securities investment culture is under threat from another direction: the planned introduction of a financial transaction tax will certainly not make investing in securities in Germany more attractive. The examples of France and Italy, where such a tax has already been introduced, show that in the end it is the companies and retail investors that pay the tax.

This makes investors reluctant to invest in securities. The figures speak for themselves: according to a study by Credit Suisse, the volume of equity trading in Paris fell by an average of 9.2 percent in the first 20 months after the tax was introduced. In Milan, exchange turnover plummeted by around 29.7 percent in the last three quarters of 2013, while during the same period there was an increase of 4.5 percent across Europe as a whole.

Is the tax fulfilling the much-trumpeted aim of many politicians to make the banks pay at all costs? The financial transaction tax will only have the backing of the German population as long as voters believe the tax only affects banks rather than companies, let alone themselves. But banks can still turn to financial centres such as Zurich or London to conduct their own financial transactions. For the rest, the financial transaction tax, like every form of turnover tax, is passed on to the last one in the chain.

‘We need a new culture of investing in securities in Germany. Fair and just taxation is essential in bringing this about.’

Dr Hartmut Knüppel

This is evident from the situation in France. Investors can see clearly from their securities statements that when they conduct financial transactions it is they alone who pick up the tab.

All these facts cast reasonable doubt as to the logic of the entire proposal. However, no one should be under the illusion that the financial transaction tax can be stopped. The political will to introduce it continues almost undiminished. The greatest danger facing the tax at present is the European Court of Justice, as the financial transaction tax is on shaky foundations in terms of European law. But it will be a long time before the case is heard, let alone a judgement made.

The political leaders are obviously caught in a very tricky situation. Most political decision makers know the weaknesses and fatal side-effects of the tax. But they do not want to do a U-turn. The main thing now is therefore to limit the negative impacts of the tax. The fewer financial products are affected, the less the German financial market will lose. The more exceptions are provided for, particularly for pension plans, the better for savers and investors.

Uncertain: the flat-rate withholding tax

The flat-rate withholding tax (in German: Abgeltungsteuer) is increasingly being challenged within the government parties. Some say that, now that most of the tax loopholes in other countries have been closed, it is time to abolish the flat-rate withholding tax and bring the revenue from it under income taxation. Even though no definite schedule has been set, this discussion is already causing some uncertainty among investors. For most retail investors, the abolition of the flat-rate withholding tax would bring an additional financial burden, making investing in securities considerably less attractive.

When considering how to handle the taxation of securities, the political leaders should keep their eyes on the main aim: to rebuild and encourage a culture of securities investment in Germany. This is the only way to ensure a secure future for private pension planning. But it will not succeed if there are also tax measures in place that add to the burden on people investing in securities, rather than relieving it.

Financial transaction tax (FTT)

Main weaknesses of the proposed EU directive:

- the split tax rate;
- the basis of assessment;
- the cumulative impact of the tax for exchange transactions and for derivatives hedging transactions;
- the involvement of financial institutions in third countries.

DDV demands for the amendment of the proposed EU directive:

- one tax rate for all financial instruments, including derivatives;
- a comparable basis of assessment for all financial instruments; for the three forms of derivative, this is the economic value:
  1. basis of assessment for options: option price;
  2. basis of assessment for futures: amount of margin first calculated in exchange trading;
  3. basis of assessment for swaps: basis point value;
- single taxation of each transaction.

Political communication: **at the core of the association's activities**

Politicians are widely perceived to be doing too little to regulate the financial sector. However, a regulatory avalanche has been advancing for a long time, and it has also hit the structured products sector. This was a major challenge for DDV in the past year. Instead of rejecting the regulatory plans out of hand, the association campaigned as a political interest group for clear and fair framework conditions for structured products.

→ The German Federal Government alone has so far enacted more than 20 new laws in response to the financial crisis, some of which also affect the structured products sector. At a national level, from the middle of 2014 DDV's attention was focused on the draft Retail Investor Protection Act from the Federal Ministry of Finance. The aim of the act is to make it easier for investors to assess the risks of financial investments with the aid of new transparency rules and better information. The bill is of great importance to us, especially with regard to the approval of individual financial products, as our member banks issue almost two million new investment products and leverage products every year.

Europe increasingly important

But it is not only the German legislature that has been kept extremely busy. In Brussels, there are more than 100 dossiers dealing with subjects relating to the financial market and banking. The elections to the EU Parliament also spurred on political decision makers. Many important directives and regulations were adopted in the run-up to the elections, which also have an impact, either directly or indirectly, on the structured products sector.

One of them is the amended Markets in Financial Instruments Directive (or MiFID II), the aim of which is to give even greater protection to retail investors buying financial products. One of the objectives is to improve the comparabil-

The key issues in 2014

The focus of the Association's political work:

Product information sheets
- → Disclosure of the issuer estimated value (IEV) and the probability of occurrence
- → Declaration of conformity

Prospectus law
- → Extension of the public offering beyond the term defined by a base prospectus

MiFID II / MiFIR
- → Markets in Financial Instruments Directive (MiFID II)
- → Markets in Financial Instruments Regulation (MiFIR)
- → ESMA's first round of consultations

Packaged retail investment and insurance-based investment products (PRIIPs)
- → Regulation on key information documents for PRIIPs

Retail Investor Protection Act
- → The German federal government's proposed legislation

Algorithmic trading
- → Circular from the German Federal Financial Supervisory Authority (BaFin) on algorithmic trading

ity of the costs of financial products. German structured products issuers already meet the requirements, and are now disclosing the issuer estimated value of an investment product in addition to the selling costs. Greater cost transparency is hardly possible. The European Securities and Markets Authority, ESMA, has meanwhile issued detailed instructions on the implementation of the provisions.

Greater coordination required

Many of the individual regulatory measures are appropriate, or at least reasonable. The problem is that many of them are not coordinated, so they generate a lot of extra work and unnecessary costs for the banks. This does not help the cause of investor protection.

Index regulation

→ Proposal for a regulation on 'indices used as benchmarks for financial instruments and financial contracts'

ESMA

→ Product governance for structured products

Taxes

→ Introduction of a financial transaction tax
→ Tax treatment of the expiry of structured products

We can see a worrying trend in this regard: the huge liability risk and legal documentation requirements lead many investment advisers to give preference to products that are almost risk-free, with correspondingly low yields. That cannot be in the interests of investors that seek advice. This is obviously the wrong direction for investor protection to take. For long-term capital accumulation, retail investors need financial products with calculable risks and with returns above the rate of inflation, especially in the current low-interest environment.

The conflict between the aims of security and high returns in an investment cannot simply be dismissed or regulated away. As a rule, higher-yield investments are riskier. Of course, investors must be protected against risks that they cannot anticipate and that they are not taking voluntarily when buying a financial product. The solution to this is quite simple: products should be more comprehensible and transparent. Banning products and over-protecting informed investors who would willingly take greater risks for higher returns is surely the wrong way to go.

Regulation intensifies competition

Admittedly, political decision makers are under strong public pressure to expedite the comprehensive regulation of the financial sector. However, we still need to take a reasonable, balanced approach. →

Otherwise there is a danger that well-meant but badly-designed regulation could result in smaller issuers of structured products in particular having to exit the market under the pressure of regulatory restrictions and the associated costs.

The future of the structured products industry is being determined less and less by the various business models and the efficiency of product design. Regulation, on the other hand, is becoming increasingly important, especially at the European level. It will determine whether structured products continue to be economically attractive to issuers.

Transparency is the ideal solution

The issuers of structured products have done their homework on matters of transparency and set important industry standards: product classification in the form of the Derivatives League; the definition of standard terminology; sample product information sheets for all types of structured products; informative risk indicators for almost all structured products; structured product tests to make it easier for investors to choose a product; structured product indices, which enable comparison of the performance of structured products with that of other financial products; and finally the new Fairness Code, which demands the greatest possible product and cost transparency.

INFORUM: the key issues in 2014

DDV regularly publishes a political newsletter (in German language) entitled INFORUM, in which it deals with current issues relating to the structured products sector and states its position on them. This information service is aimed primarily at political decision makers in Berlin and Brussels.

→ Issuer margin → Bank earnings → Betting

The quarterly newsletter provides another opportunity for DDV to take part in political discussions and shaping public opinion. In it, the Association publishes important facts and figures on the structured products sector, as well as interviews with experts. In addition, every issue focuses on a particular political topic.

In 2014, the newsletter addressed the question of how high the issuer margin on structured products really is. The second issue explained how banks earn their money on structured products. The third newsletter did away with the preconception that investing in structured products is just a form of betting. But the newsletter also has the latest news from the association and brief, easy-to-understand information on the different product categories.

The 'Three questions to ...' section is particularly popular. In this section, members of the German Bundestag explain their party's position on topical issues.

INFORUM has developed into an important part of the association's political communication. This information service presents complicated issues clearly and enables them to be conveyed directly to political decision makers.

Think tank for standards: **DDV takes an active part in the work of IOSCO**

The recommendations of the International Organisation of Securities Commissions (IOSCO) influence many of the laws and market structures at both the German and the European level. As an affiliate member, DDV contributes its expertise in the area of structured products at IOSCO's international conferences.

→ With around 200 members from all around the world, IOSCO, which was established in 1983, plays a leading role in introducing standards in securities regulation. Its members, the national securities commissions, are mainly engaged in developing action plans and measures to improve both national and cross-border supervision of securities trading and market participants.

IOSCO's final report on the regulation of retail structured products published in December 2013 was of particular importance for the structured products sector. A major component of the report is the introduction of a regulatory toolkit, which can be used by the individual supervisory authorities when necessary. The report discusses the entire value chain of the structured products market. The European Securities and Markets Authority (ESMA) has adopted many of the regulatory measures proposed by IOSCO. These include the proposals for increased cost transparency. However, DDV and its members have already pre-empted many regulatory measures by adopting the Fairness Code and introducing the issuer estimated value (IEV).

DDV Managing Director Christian Vollmuth introduces the association at IOSCO's mid-year meeting in Tokyo.

In 2013 DDV became part of IOSCO's Affiliate Members Consultative Committee (AMCC). As an affiliate member, DDV represents the interests of the structured products sector and takes an active part in the project groups dealing with regulatory measures for structured products. DDV is only the second German institution, after Deutsche Börse, to be approved as an affiliate member of IOSCO.

In April, Christian Vollmuth, Managing Director of DDV, gave the first presentation on the association and its work at the AMCC mid-year meeting in Tokyo. At the IOSCO year-end conference in Rio de Janeiro at the beginning of October, Mr Vollmuth gave a lecture on the Fairness Code and the undertaking by structured products issuers in Germany to reveal all the costs of investment products by disclosing the issuer estimated value (IEV) in product information sheets.

DDV's sample product information sheet: a German standard being discussed internationally.

Regulation: time for implementation

Financial market regulation and investor protection have for years been high on the agenda for politicians and supervisory bodies, and rightly so. However, a frenzy of regulation, sometimes mainly aimed at avoiding the impression of inactivity, does not always lead to the desired results.

→ No one can yet predict with certainty the impact of the multitude of European and national regulatory measures. But what is already apparent is that there are still inconsistencies and also some overlaps in many of the regulatory plans affecting the structured products sector. This concerns, for instance, the Federal Government's draft Retail Investor Protection Act and the drafting of the revised European Markets in Financial Instruments Directive, MiFID II. Pressing ahead too quickly with the implementation of some regulations bears the risk that banks will incur multiple implementation costs. Also, investors would hardly be able to keep track of the welter of information. Effective investor protection is different. A sensible solution to the dilemma might be a 'regulatory pause' rather than a standstill. Regulatory bodies should carry out intermediate checks from time to time to confirm that they are on the right track.

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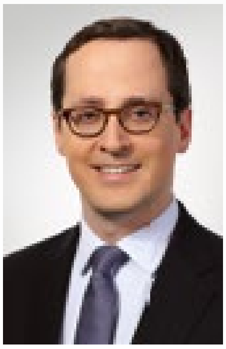
Börsen-Zeitung

'Absolute openness'

WM Gruppe

Structured products industry tries to pre-empt regulation – DDV wins trust of the German Federal Financial Supervisory Authority (BaFin).

13 December 2014



Mr Vollmuth, the financial crisis, and the plight of the Lehman investors, taught us the need for a significant improvement in investor protection. Have you dragged the entire sector – including providers of investment funds, index funds and other products – in with you?
The Lehman investors are a symbol of a loss of trust. In their case, the main problem was that they were given the wrong investment advice. Unfortunately, the structured products sector had to take some of the responsibility for the mistakes of the financial sector as a whole, although it was not to blame. Accusations were made against us, but they were not all justified.

What kind of accusations?
Roughly speaking, that the structured products sector triggered the financial crisis. Of course, that's not true. Besides, looking at the regulation and the self-regulation of the sector, I would go so far as to claim that structured products issuers are now designing their products in such a way as to make them significantly more transparent than most providers of other financial products.

So there's no possibility that we'll experience another Lehman event?
Lehman investors were not informed of the issuer risk. They did not know that the borrower issuing the financial instrument can default. Of course, this applies not only to structured products, but also to sovereign or corporate bonds. So it's a matter of the advice given, rather than the product itself.

In both areas there are new rules, the most recent example being the proposed German Retail Investor Protection Act. Is everything settled, in your view, or are there still some points that need to be addressed?
Investors have to be protected against risks that they cannot anticipate. Transparency and comprehensibility are of the utmost importance. We obviously need good regulation, but too much regulation distorts competition, and that is a problem. I'm afraid that only large issuers will be able to bear the costs associated with regulation in the longer term. It costs a lot, and small issuers can hardly afford the expense any more. We are faced with an important question: whether more regulation will result in less competition. And for investors, less competition can only be detrimental.

But in markets with too much competition there are 'see-saw' effects, which are also detrimental to consumers. Isn't that what we saw before the crisis?
That's a difficult question. In a market where clients have

‘The newly introduced measures for financial market regulation should be reviewed to check how effective they are, then optimised if necessary and implemented in a practical way.’

Christian Vollmuth

The principle of a balance between market and regulation must not be forgotten.

Existing legal principles must be looked at to check if there is a more practicable way of dealing with them. The goal should always be to try to see the situation from the point of view of the investor and avoid complexity. Also, to ensure fair competitive conditions for all financial instruments with regard to investment advice, the same information and documentation requirements must naturally apply to all of them.

sufficient transparency and comparability, competition is certainly never harmful. We know that we need investors' trust. Structured products generally do not have a very long term, so our clients are constantly making decisions about how to reinvest. We must ensure that their decisions are in our favour. We have learnt that only absolute openness will help us now.

That's why you created the Fairness Code, which appears to have impressed even the German regulator. The German Federal Financial Supervisory Authority, BaFin, devoted a whole article to praising it in its journal. How will you ensure that the sector lives up to the trust placed in it and keeps to its commitment?
BaFin has placed a huge amount of trust in us, and we have high expectations to meet. Our Academic Advisory Board monitors compliance with the rules, and the Code sets out the consequences of any failure to conform, which can result in the relevant member being excluded from the association. The issuers now also keep a close eye on each other and correct one another. It is very inspiring to see how our members work well within the association, but also take the utmost care to make sure that they meet the requirements as competitors. A kind of regulation competition has started, and it goes beyond the Fairness Code. The structured products sector is trying to pre-empt regulation, partly to place itself in a better position than providers of other financial instruments.

Such as UBS, which now discloses the probabilities of occurrence of the barrier events for the relevant structured products?
Yes, UBS is one example. Our members are concerned – there have been a lot of changes. After all, they are competing for the custom of the same investors.

Be honest: do retail investors really need structured products?
Does the world really need different cars? We don't question that, because we know they make our lives easier. The same applies to structured products in investment. There are many different types of structured products – just as there are sports cars, compact cars and estates. Does a family with three children need a sports car or an estate?

Definitely an estate.
Exactly. Similarly, with structured products the investor has a great variety of products to choose from. Which one is right depends on the needs of the investor. Does a security-oriented retail investor seeking to accumulate capital need to buy a warrant? Certainly not. Something like a capital protection product with coupon would be more suitable. However, an investor with 100 Volkswagen equities in a portfolio can hedge against falling prices by means of a right warrant. A third investor might be looking for a speculative product to add to a portfolio and therefore choose something like a warrant linked to the German blue-chip index, DAX. Something that people frequently forget is that many structured products help investors reduce the risks of direct investments.

Strong in Europe: **The European umbrella organisation, EUSIPA**

Since 2009 EUSIPA has been representing the interests of the European structured products sector and campaigning for an appropriate and fair regulatory framework for structured securities. With its member associations, it sets standards for the industry throughout Europe. These range from clear product classification and standardisation of technical terms to wide-ranging self-regulation in the form of an industry code.

eusipa EUROPEAN STRUCTURED INVESTMENT PRODUCTS ASSOCIATION

→ The year 2014 was dominated by the elections to the European Parliament. For the European umbrella association EUSIPA, this meant changes in some of its important contacts. Nevertheless, the focus of the work shifted from legislation, including the European Parliament, to the technical implementation of major regulatory projects. While this at first still involved the EU Commission, the Council of Europe and the EU Parliament, later the central role was played by the three largest European supervisory authorities – ESMA, EIOPA and EBA – and their national members.

EUSIPA stated its position clearly, particularly with regard to the PRIIPs regulation and the MiFID II and MiFIR package. These are currently the most important dossiers for issuers of structured products in Europe. To prepare for their implementation, the supervisory boards are developing a large number of activities, including not only investigations of market participants, but also selective practical testing of individual regulations in different countries. It is therefore natural for EUSIPA to comment on the relevant legal proposals. However, it also works with the member associations to find answers to fundamental issues concerning the selling of financial products. These include risk indicators for financial products, and the disclosure of the different costs. EUSIPA takes a central coordinating role in the discussions between the national member associations.

In special cases and selected countries EUSIPA also plays a role at national level. One of the reasons for this is that the national supervisory boards draw up their own sets of guidelines while at the same time implementing EU law. These sometimes contradict the objectives of political decision makers at the EU level and are mainly motivated by domestic political considerations. In 2014 EUSIPA helped issuers in Belgium, Italy and Spain in their dialogue with the national supervisory bodies, using selective approaches to the media and contributing to policy documents.

Much of the work in the past year was focused on the monitoring of EU legislation. This work will continue in 2015. The EU capital markets union project, led by Lord Jonathan Hill, the newly appointed EU financial services commissioner, offers real opportunities for correcting individual regulatory mistakes of the past few years. One of EUSIPA's major concerns in this area is to make the impact of market fragmentation on retail investors an object of discussion. Much of this fragmentation is caused by excessive national regulatory measures.

Individual projects, such as the regulation on indices used as benchmarks in financial instruments, and the tricky EU financial transaction tax project, will provide further focuses for work.

Thomas Wulf

→ Board of Directors

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President of EUSIPA

Roger Studer
Vice-President of EUSIPA

Walther Almquist
SETIPA

Jan Erftemeijer
NEDSIPA

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Roger Studer
SVSP

→ Secretary General

Thomas Wulf

(March 2015)

→ Full Members

ACEPI Associazione Italiana Certificati e Prodotti di Investimento

afpdb association française des produits dérivés de Bourse

DDV Deutscher Derivate Verband

Nedsipa

SETIPA Swedish Exchange Traded Investment Products Association

SVSP Schweizerischer Verband für Strukturierte Produkte
Swiss Structured Products Association
Associazione Svizzera per prodotti strutturati
Association Suisse Produits Structurés

Zertifikate Forum Austria

→ Associate Members

BELSIPA Building transparency

UK Structured Products Association™

Outstanding: **best structured products association in Europe**

DDV was awarded the title of best structured products association in Europe in London at the beginning of February. The title is awarded annually by the British finance portal StructuredRetailProducts.com as part of the European Structured Products Conference.

(left to right): DDV's Board of Directors, Stefan Armbruster, Klaus Oppermann and Dr Hartmut Knüppel, with Managing Directors Christian Vollmuth and Lars Brandau

The award winners were chosen for their outstanding achievements in the areas of communication, information and education. The finance portal conducted a survey between August and October 2013 among more than 620 institutional investors and companies in the financial sector throughout Europe, such as banks, stock exchanges, index providers and commercial law firms, which decided the winners.

At the award ceremony in London, Jan Scibor-Kaminski, Managing Director of StructuredRetailProducts.com, ex-plained why the award went to DDV: 'We congratulate Deutscher Derivate Verband for retaining its crown for a second year. DDV's commitment to industry standards and, ultimately, to the consumer through creating greater transparency should be held up as an example to others. DDV plays a vital role in protecting investors in Germany and Europe.'

Dr Hartmut Knüppel, CEO and Member of the Board of Directors of DDV, commented: 'In the past few years DDV has worked very hard to convey a more realistic picture of the German structured products industry to political decision makers and the public, as well as to set new standards for transparency and investor protection. We are delighted to have been given this special recognition of our work as an association. The award will spur us on to follow through with our work at the European level.'

Approved: DDV's Board of Directors re-elected

The Board of Directors was appointed at the general meeting of DDV in March. Stefan Armbruster (Deutsche Bank), Jan Krüger (LBBW), Klaus Oppermann (Commerzbank), and Grégoire Toublanc (BNP Paribas) were re-appointed as members of the Board of Directors for two years. The post is an honorary one, and all members of the Board of Directors exercise their role alongside their professional activities. As CEO, Dr Hartmut Knüppel continues to belong to the Board of Directors by virtue of his office.

Following the election, Stefan Armbruster thanked the general meeting on behalf of all the members of the Board of Directors: 'We are delighted to have been re-elected,

DDV's Board of Directors (left to right): Klaus Oppermann, Dr Hartmut Knüppel, Jan Krüger, Grégoire Toublanc, Stefan Armbruster

and are grateful for the trust that has been shown in us. Of course, we are also conscious of the responsibility that comes with the post. In the coming years we will continue to work hard for the structured products industry and the interests of our members.'

The broader view:
structured products in the USA

The third North American Structured Products Conference was held in Boston in June, at the same time as the FIFA World Cup match between the USA and Germany. While the national teams of the two countries clashed on the playing field in Recife in Brazil, the German and American delegates at the international conference were engaged in harmonious discussions.

In Germany there are still some critics of structured products who claim that they are banned in many countries, including the USA. However, a look at the statistics shows that the opposite is true: US citizens can buy structured products, but according to the rules of the US authorities only issuers based in the USA can sell them there. According to figures from Structured Retail Products (SRP), more than USD 300 billion was invested in structured products in September 2014.

For the international delegates at the conference, it was particularly interesting to learn about the similarities and differences between the various countries with regard to the markets and investor behaviour. Experiences were exchanged and reports delivered by market experts, covering everything from statistics on product innovations to regulatory measures.

Lars Brandau, Managing Director of DDV, presented an overview of the basic features of the German market for structured products. He noted: ‘The USA dominates the capital markets with regard to both the number of investors and the way the markets work and their liquidity. But with structured financial products, Europe is a step ahead.’

Financial experts, politicians, journalists and academics discussed the latest issues relating to structured products in Boston.

DDV publications: **investing in knowledge**

Half-truths, popular misconceptions and second-hand knowledge are simply not a good basis for either political initiatives or sensible investment decisions. That is why DDV always relies on facts and figures in its work.

The structured products sector in figures

Figures give us a nutshell version of events – in the world of finance just as in sports. To find out who has won, you only have to look at the result. Whether you have been following the rises and falls of the markets closely or have only given them an occasional glance, this Factbook provides you with a concise summary of important key figures on the overall market, market shares and individual product classes as well as other interesting facts about the structured products market – all in DDV's usual clear way.

Facts and figures

Under the motto facts to counter prejudice, DDV provides brief, easy-to-understand information about structured products, addressing the points of criticism most commonly directed against the structured products sector. Answers are given to many questions, including the following:

What are structured products actually for?
The first structured products were developed in 1990. They revolutionised investment opportunities for retail investors. Apart from the large selection of underlying assets and asset classes, there are other good reasons to hold structured products as part of a balanced portfolio.

Are structured products too risky?
Before making an investment, retail investors should always be well aware of how much risk is attached to the product they are interested in. It is easy to come to the wrong conclusion. Many people feel an investment in structured products is particularly high-risk, but this is a misconception. In fact, the opposite is true of most categories of structured product.

Do structured products lack transparency?
Before buying a financial product, investors should always make sure that they are familiar with the basic features of the product they are interested in. This means that the product needs to be transparent. Objective criteria can be used to ascertain whether or not a product is transparent. Investors who perform such a test on structured products and other financial products may well be in for a surprise.

Are structured products too complex?
Nearly all financial products, including most structured products, are complex. They have this in common with many products and services that we use in our everyday lives without thinking. But this complexity is just as necessary in structured products, because greater complexity almost always means lower risk for investors.

Are there too many structured products?
In a market economy, a large variety of products is an expression of a well-functioning market and strong competition between suppliers. This is the only way in which the

principle of consumer sovereignty that is fundamental to a market economy can be realised in a practical way. The same applies to the German structured products market.

How do banks make money on structured products?
Banks naturally want to make money from selling structured products. But how do they earn it, exactly, and how much do they make? What exactly does the investor pay for, and how much does it cost? On closer inspection, what emerges is that those who believe issuers are concealing high costs in structured products, raking in profits at the expense of the investor, are mistaken.

NEW: Is investing in structured products a form of betting?
Structured products are securities, just like equities, debt instruments or investment fund units. However, many people claim that investing in structured products is nothing other than betting. Some even think the bank gains when the investor loses, and vice versa. But that is not true. The bank does not profit from either an investor's gains or losses on an investment in structured products.

→ All the issues to date can be found on our website under the heading 'Knowing the facts'.

Popular underlyings: USA on top

Each month DDV introduces one of the most popular underlying assets for structured products. There is no doubt that it pays to know about the underlying – the most important feature of every structured product. The series began in 2011 with by far the most popular underlying – the German blue-chip index DAX. The range now covers other indices as well as equities and commodities. The USA dominated the year 2014, when we looked at the following underlyings:

- → Drinks giant: Coca Cola
- → Reaching out: AT&T
- → Card provider: American Express
- → Chip giant: Intel
- → Gillette, Pampers et al: Procter and Gamble
- → IT veteran: IBM
- → The number one: Nike
- → Major pharmaceuticals player: Pfizer
- → Multifaceted: General Electric
- → Top employer: Walmart
- → Investors are lovin' it: McDonald's
- → Programmed for success: Microsoft Corp

The retail investor can choose whether to view the information as a short video or as a text. The text versions are available for downloading on the DDV website under the heading Knowing the facts, while the videos can be accessed from the video centre on the website (only available on the German-language website).

The German Derivatives Day: **an increasing spiral of tightening regulations**

It has become a tradition for the structured products sector to meet up at the start of October every year at the Villa Kennedy in Frankfurt am Main and discuss the latest issues concerning the financial market. Dialogue with political decision makers is an important part of the day. This year again one of the key issues was regulation, which is increasingly subject to international influence, particularly from the EU.

→ Less is more. That was the conclusion of most of the financial experts on the German Derivatives Day with regard to regulatory projects. More regulation seldom results in better investor protection. Issuers, politicians, journalists and academics returned to the event in 2014 to gather information and exchange views on the latest developments in the structured products sector. As in the previous year, the main focus was on regulatory developments in the financial sector. More than 250 guests engaged in discussions with the high-profile speakers.

Does more regulation result in better investor protection?

The European Parliament and the European Securities and Markets Authority (ESMA) are not always in agreement when it comes to implementing laws that have been adopted. Markus Ferber, First Vice-Chair of the European Parliament Committee on Economic and Monetary Affairs, explained how their aims can conflict. With the occasional humorous interjection, in his opening lecture he described in particular the European Parliament's role as watchdog, designed to ensure that legislative measures cannot be counteracted when it comes to their practical application.

Following this, Dr Hartmut Knüppel, CEO and Member of the Board of Directors of DDV, questioned the popular assumption that more regulation always results in better investor protection. He commented that in competing with each other to create the best regulation, one country or another will insist on doing its own thing. And in all of this, unfortunately there are some members of the German Bundestag and ministry officials who, for some inexplicable reason, aim to serve up the spiciest regulatory dish first. Dr Knüppel believes effective self-regulation is the better alternative in every case. It may not be a panacea but, he added, it is often more effective and efficient than state regulation, and could partly replace it, or at least complement it in a meaningful way.

Werner Bijkerk, Head of Research at the International Organisation of Securities Commissions (IOSCO) then described to the audience IOSCO's work. He was followed by Joe Burris, Head of Americas at Structured Retail Products (SRP), who gave an insight into the US structured products market, thereby incidentally disproving the false assertion that structured products are banned in the USA.

What would Google do?

In the afternoon the attention was focused on the future of banking. It is now standard procedure to transact bank business by smartphone, tablet or PC. But what is the next step? Salvatore Pennino, Industry Leader, Finance at Google Germany, described what other developments Google expects in the banking sector.

The German Derivatives Day concluded with a panel discussion entitled Ways out of the low-interest trap. The Chairperson of the Academic Advisory Board, Professor Dr Sigrid Müller, chaired the discussion with representatives of the largest securities associations. Why do German savers park their money in instant-access and fixed-term deposit accounts, where they make a loss in real terms? What can be done to make investing in securities more attractive again? These questions were answered by Dr Christine Bortenlänger, Chief Executive of Deutsches Aktieninstitut, with Rudolf Siebel, member of the Executive Board of the German Investment and Asset Management Association BVI, and Dr Hartmut Knüppel, CEO and Member of the Board of Directors of DDV.

The industry get-together was moderated by DDV Managing Director Lars Brandau. Of course, there was also plenty of time for a lengthy exchange of information and views.

Above (left to right):
Markus Ferber, First Vice-Chair of the European Parliament Committee on Economic and Monetary Affairs and Dr Hartmut Knüppel, CEO of DDV

Middle (left to right): Rudolf Siebel (member of the Executive Board of the German Investment Funds Association BVI, DDV Managing Director Lars Brandau, Dr Christine Bortenlänger (Chief Executive of Deutsches Aktieninstitut) Professor Dr Sigrid Müller (Chairperson of the Academic Advisory Board of DDV) and Dr Hartmut Knüppel. CEO and Member of the Board of Directors of DDV.

Structured Products Breakfast: the early bird catches the worm

It is 8.30 in the morning and Berlin is ready for action. DDV takes advantage of this with its Structured Products Breakfast, and relies on the teams working for members of the German Bundestag, parliamentary groups and government ministries to arrive well rested and alert.

The fifth Structured Products Breakfast took place in Berlin on 28 March. The teams working for members of the German Bundestag were again eager to take advantage of the opportunity to exchange views with experts on the structured products sector in the office even before the event started.

Strong coffee and freshly-baked croissants accompanied a talk entitled What structured products really cost. First, Dr Hartmut Knüppel, CEO and Member of the Board of Directors of DDV, talked about cost transparency, which is important for investors and plays a key role, especially in the new Fairness Code. Then Professor Dr Lutz Johanning, Chair of Empirical Capital Market Research at WHU – Otto Beisheim School of Management, presented the findings of a representative study entitled Issuer margins on structured products. The study was based on an analysis of 1,650 structured products in nine product categories by the European Derivatives Group (EDG) on behalf of DDV.

What probably surprised many people was the finding that the issuer margin on structured products is often much smaller than generally assumed – the average margin amounts to no more than 0.36 percent per annum. Thomas Wulf, Secretary General of the European umbrella association EUSIPA, observed that these academic findings leave no room for speculation. Structured products are a very inexpensive product promising investors a pre-defined performance, he said. He hoped that this would be understood and taken into account in future regulatory projects at the European level.

Exclusive:
the DDV Compass 2014

Even experienced capital markets lawyers are now describing as a ‘regulatory jungle’ the increasing numbers of guidelines, regulations and recommendations at the EU level, as well as national laws and supervisory authority regulations. DDV shows the way through the legal undergrowth with the DDV Compass.

Available only to DDV members, the DDV Compass is an information service providing concise explanations of all the major regulatory plans affecting the structured products sector in Germany and in Europe as a whole. Of course, this regular brief assessment of regulatory topics for members is also available in English.

In June, DDV held an event on the regulation of the structured products sector, using the occasion to introduce the new edition of the DDV Compass. Attendees at the event, which was held at the offices of Citigroup, were given a detailed report on the individual regulatory issues, in addition to a lot of background information. Thomas Wulf, Secretary General of EUSIPA, also outlined the main features and particulars of the legislative and negotiation process at the European level.

Middle (left to right.):
Thomas Wulf (Secretary General, EUSIPA);
Dr Hartmut Knüppel, CEO and Member of the Board of Directors of DDV;
Christian Vollmuth, DDV Managing Director;
Dr Klaus Künzel (Chairperson of the DDV Prospectus Law Committee and Senior Counsel, Commerzbank AG)

Off the record: background information in a nutshell

Reliable background information is of crucial importance in journalism. That's why DDV organises regular meetings in its Frankfurt office to keep business and financial journalists informed and to encourage an informal exchange of ideas in a relaxed setting.

A hundred days after the European elections, in September, was a good time for DDV to examine the status quo with regard to the regulation of the structured products sector. For many non-lawyers, however, the subject matter is complex and initially difficult to grasp. So DDV held a media conference at its Frankfurt office for financial and business journalists. The topic was: after the European elections – what changes are facing the structured products industry?

The main purpose was to look towards the future to see what can be expected for the structured products sector in Berlin and Brussels. The numerous German and European legislative procedures on financial market regulation are a real challenge, not only in terms of policy and supervision. They give rise to considerable extra costs, particularly for the banks.

The conference began with a presentation by the Secretary General of EUSIPA, Thomas Wulf, who talked about some of the main features of the European legislative and negotiation process relevant to the structured products industry. Christian Vollmuth, Managing Director of DDV, then explained to the journalists everything they needed to know about the current national and international regulatory plans affecting the structured products market in Germany and in Europe as a whole. Following this, over lunch, the participants took advantage of the time to discuss in detail with the speakers the many complex issues involved.

DDV sits journalists and financial experts around the same table.

DDV Business Journalism Award: first-class writing carries off the prize

Keeping in touch with issues over a long period and understanding the relevant backgrounds is no easy matter in today's fast-moving world of the Internet. But tenacity and a high level of expertise are exactly what make the journalist of the year stand out from the rest. The prize was awarded in 2014 for the seventh time at an official ceremony in Stuttgart's Art Museum, on the evening before the investor trade fair INVEST.

On 3 April, DDV awarded its Journalist of the Year prize to Angela Wefers, head of the Berlin editorial team of Börsen-Zeitung. She has had a remarkable career as a journalist for more than 25 years. Since 1999, she has been head of the Berlin editorial team of Börsen-Zeitung and has also worked voluntarily on the Board of Management of the German Federal Press Conference, the association of parliamentary correspondents.

Lars Brandau, Managing Director of DDV, explained the unanimous decision of the jury to award the prize to Angela Wefers: 'Anyone looking for first-class editorials and commentaries on national and international financial policies and regulation has to read Angela Wefers. She is a sophisticated journalist who sums up complex financial policy and regulatory matters informatively and elegantly. Nor is she afraid to take a clear position and be critical when necessary. She has many years of experience in financial journalism, as well as an extensive knowledge of financial affairs and Berlin politics.' The award comes with prize money of EUR 5,000.

The awards in the four other categories, each worth EUR 1,000, went to:

→ Print (daily newspaper)
Massimo Bognanni, Die Geldeintreiber (The debt collectors), Handelsblatt, 24 May 2013

→ Print (Magazine)
Frank Doll, Mark Fehr, Malte Fischer, Stefan Hajek, Henning Krumrey, Niklas Hoyer, Annina Reimann, Hauke Reimer, Anton Riedl, Heike Schwerdtfeger, Cornelius Welp, Florian Zerfaß, Frontalangriff auf Ihr Geld (Head-on attack on your money) WirtschaftsWoche, issue 50/2013 – 9 December 2013

→ Online media
Christian Kirchner, Investieren in Zertifikate – her mit den Boni! (Investing in structured products – bring on the bonuses!), Spiegel Online, 17 June 2013

→ TV/audio/video
Marco Kreuter, Billigsiegel – Wie der TÜV seinen guten Ruf verspielt (Cheap seals of approval – how TÜV is gambling away its good reputation), ARD Plusminus, 26 June 2013

The jury selected the award winners on the basis of writing style, originality and, in particular, reader-friendliness. For the DDV Business Journalism Award, DDV was again able to rely on the close cooperation and support of the Stuttgart and Frankfurt Exchanges, on which nearly all the structured products in Germany are traded.

Above: the evening's winners, with the host (left to right): Christian Kirchner (Spiegel Online), Lars Brandau (DDV), Angela Wefers (Börsen-Zeitung), Hauke Reimer (WirtschaftsWoche), Massimo Bognanni (Handelsblatt)

Below: Award winner Angela Wefers, Journalist of the Year

Public relations at DDV: **getting the mix right**

To be successful, the association's communication strategy must be based on honest and dependable messages. These must be tirelessly conveyed to the right stakeholder groups. Traditional tools are an indispensable element of DDV's public relations approach, but so are the many opportunities offered by online communications.

→ If you know who you are communicating with, it is easier to respond to them. This is a rule of thumb that DDV adheres to in its public relations, focusing in particular on continuous, authentic dialogue with its target groups: key influencers from the world of politics, the media and associations, as well as investor protection bodies and, of course, investors themselves.

Using the traditional tools

To reach and inform these various target groups, DDV also uses traditional tools such as media releases, guest editorials and interviews. In 2014 alone, DDV provided more than 70 releases to the media. These were used, among other things, to report important market developments and decisions in the sector, and to state DDV's position on current political issues. DDV also published more than 50 columns in different media, gave several interviews for newspapers and on television and radio, and issued comments and statements.

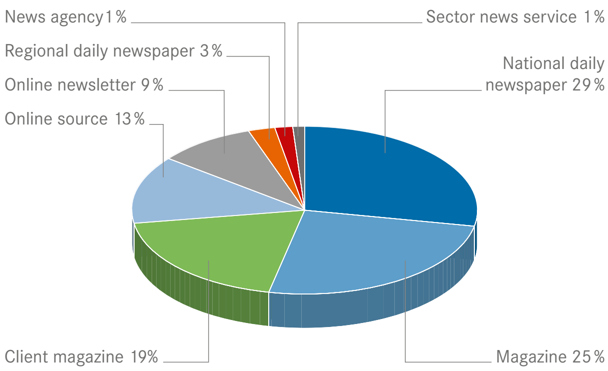
As the figures from the 2014 media response analysis show, this is reflected very positively by the wide reporting of the association's activities.

Going digital

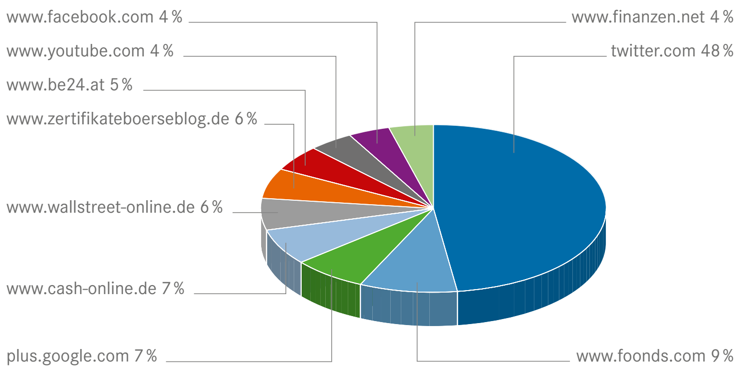
DDV's website www.derivateverband.de offers a plethora of facts and figures about structured products. But our target groups – particularly in the younger age groups – can also obtain a wide range of information on structured products from newsletters, podcasts and online columns on leading finance portals. More than 3,500 retail investors on average respond to DDV's trend surveys on the major online platforms. The association presents the findings in a reader-friendly form in media releases, podcasts and audio files, and comments on them in its columns.

The proportion of new users of the DDV website rose again in 2014 in comparison with the previous year, and is now 60 percent. This is a gratifying development, as it shows that increasing numbers of Internet users are interested in the association and its products.

Media response analysis 2014
Breakdown of DDV media contributions in 2014 by media type



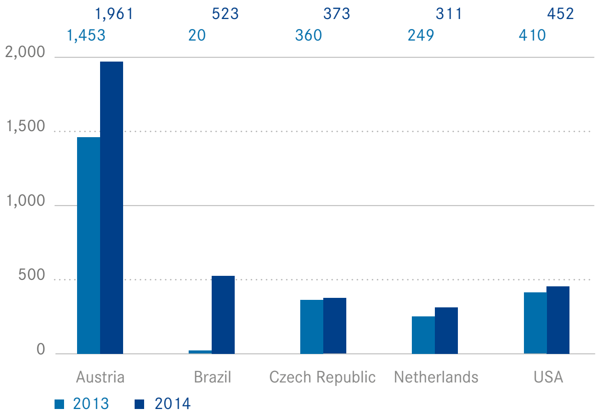
Internet presence of DDV



> 'The best way of ensuring that politicians, journalists, academics and investor protection bodies can form an opinion on the structured products sector based on sound knowledge is to provide reliable information targeted to the stakeholder groups.'
>
> Lars Brandau

Visitors to the DDV website

Top five countries with increased traffic



Direct dialogue

Of course, digital communications cannot replace personal contact. Behind every piece of information issued by DDV, there are people. Meeting people face-to-face plays a central role in the association's communications strategy. That is why DDV has established a range of regular events. In personal exchanges at the German Derivatives Day, the DDV Structured Products Brunch and the Business Journalism Award presentation ceremony, facts on the structured products industry are presented, views exchanged and mutual understanding fostered.

The Managing Directors of DDV have also represented the interests of the structured products sector at many national and international finance forums. The digital impact of personal contact is shown by the analysis of the visitor numbers at the DDV website. DDV has significantly increased the traffic generated internationally in comparison with 2013. Substantial increases were observed in North American and Brazilian traffic, partly owing to international conferences in Boston and Rio de Janeiro.

Mr Brandau, what characterises DDV's public relations activities?

DDV's approach is proactive rather than reactive. We raise issues and engage in discussions, but another part of our work is to address a selected target audience. It is of great importance to us to make it clear that we are not a marketing association. We are not advertising the products of our members. DDV works in a transparent, targeted, solutions-oriented way. We set market standards, provide information on structured products, build bridges and answer technical questions with the combined expertise of our members.

What digital media does the association use in its communications?

First of all, there is no way around the need for face-to-face meetings. However, digital media are certainly an exciting asset. People are increasingly expressing their opinions on the Internet. DDV is also looking very closely at the area of digital public affairs and e-lobbying, and has occasionally used them. However, in our view what is important is not simply adding a distribution channel – what matters is quality and sustained impact. We take advantage of the opportunities presented, but are not blindly influenced by trends or hype.

How do you use digital media in your own work?

DDV's website at www.derivateverband.de is our central communication tool, so this is where we concentrate the state-of-the-art communication facilities available to us. This can be seen, for instance, in our collaboration with several finance portals for our online trend survey of the month. In our video centre (only available on the German-language website), we offer online training, podcasts and articles on specific markets and topics.

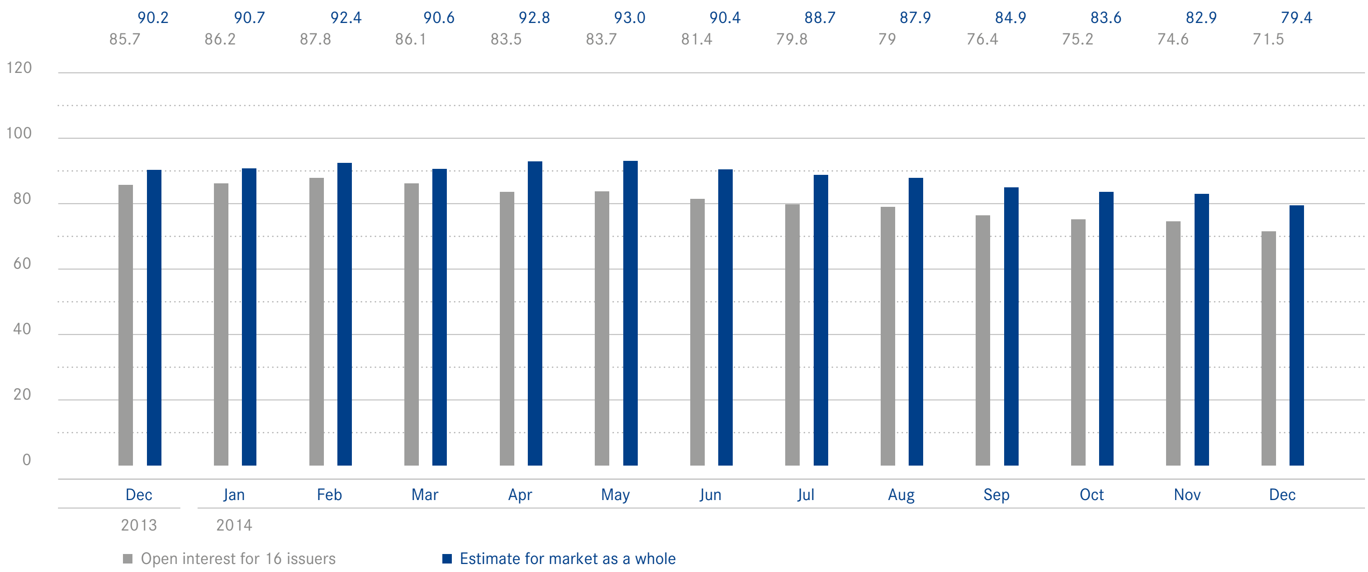
Questions by Alexander Heftrich, Editor, Finanzwelt.

The structured products market in 2014: **facts and figures**

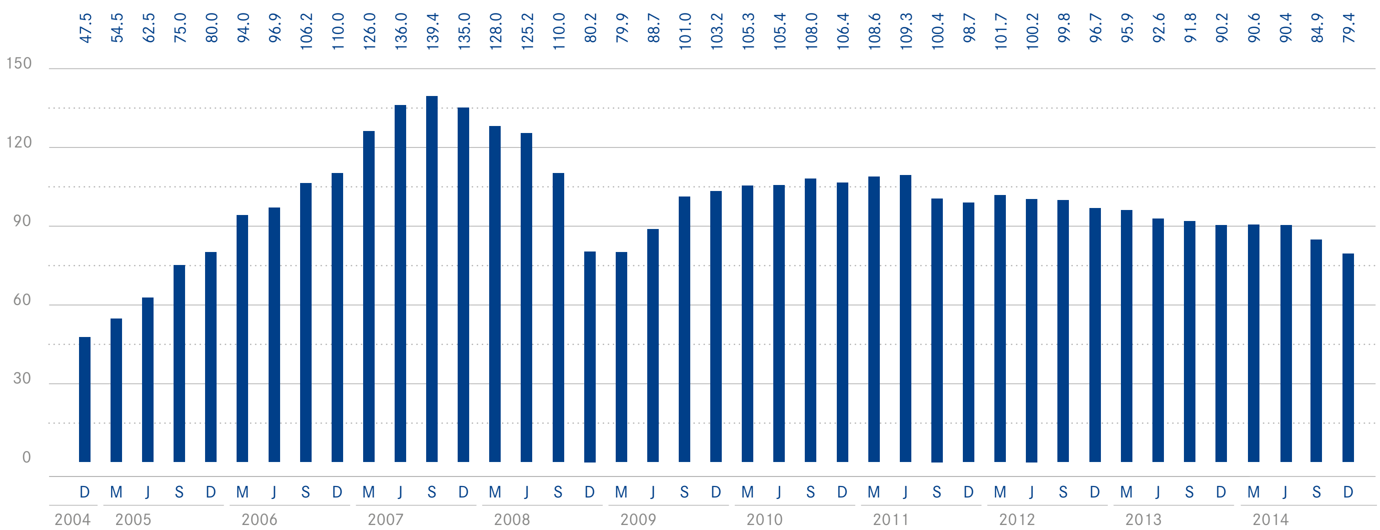
The year 2014 was a year of extremes on the stock markets and therefore also for retail investors. While the Ukraine crisis in particular created much uncertainty and volatile markets, new record highs in the DAX increased the confidence of many investors. With the low interest rates of 2014, they continued to look for financial products with returns above the rate of inflation, and in structured products they found an ideal investment form.

Market volume

Development of the structured products volume in Germany since December 2013 (in EUR billion)

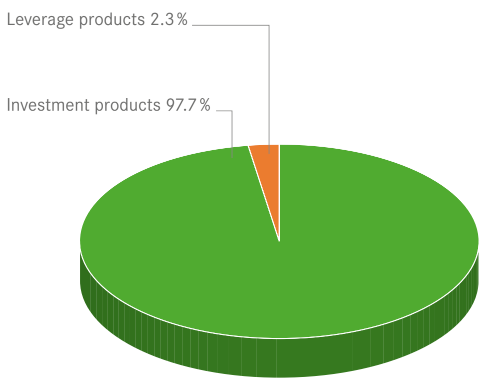


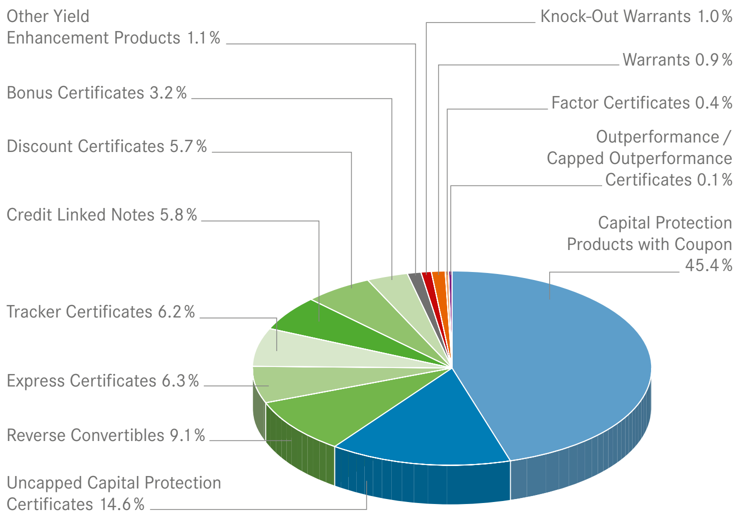
Development of the structured products volume in Germany since December 2004 (in EUR billion)



Market volume by product category

Category	Market volume December 2014		Market volume adjusted for price changes		Number of products	
	€ '000	in percent	€ '000	in percent	#	in percent
Investment products						
Uncapped Capital Protection Certificates	10,476,707	15.0	10,498,261	14.9	2,889	0.6
Capital Protection Products with Coupon	32,493,114	46.5	32,529,454	46.3	2,212	0.5
Credit Linked Notes	4,182,913	6.0	4,163,943	5.9	1,026	0.2
Reverse Convertibles	6,528,708	9.3	6,615,218	9.4	83,853	18.5
Discount Certificates	4,110,681	5.9	4,143,990	5.9	153,167	33.7
Express Certificates	4,514,349	6.5	4,595,401	6.5	4,619	1.0
Bonus Certificates	2,277,574	3.3	2,308,253	3.3	203,176	44.7
Tracker Certificates	4,442,857	6.4	4,500,218	6.4	2,327	0.5
Outperformance / Capped Outperformance Certificates	90,881	0.1	93,113	0.1	656	0.1
Other Yield Enhancement Products	796,645	1.1	799,444	1.1	443	0.1
	69,914,430	**97.7**	**70,247,296**	**97.6**	**454,368**	**41.4**
Leverage products						
Warrants	660,071	40.8	697,841	40.3	352,918	54.8
Factor Certificates	698,956	43.2	737,049	42.5	289,254	44.9
Knock-Out Warrants	259,716	16.0	298,682	17.2	2,270	0.4
	1,618,743	**2.3**	**1,733,573**	**2.4**	**644,442**	**58.6**
Total	**71,533,172**	**100.0**	**71,980,869**	**100.0**	**1,098,810**	**100.0**



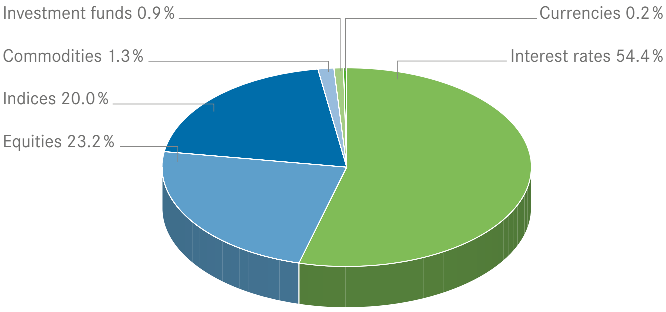


The sustained low-interest environment resulted in unattractive offer conditions for structured products with full capital protection. This is because issuers do not currently have the necessary interest income during the term to build up equity opportunities in addition to the capital protection. By contrast, there was an upturn in the more aggressive investment products. These include Reverse Convertibles and Credit Linked Notes, as well as Tracker Certificates and Discount Certificates.

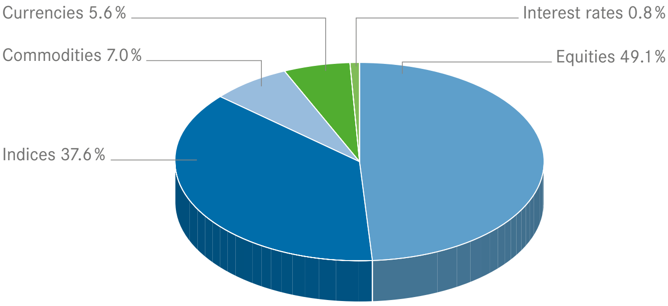
Market volume by underlying

Category	Market volume December 2014 € '000	Market volume December 2014 in percent	Market volume adjusted for price changes € '000	Market volume adjusted for price changes in percent	Number of products #	Number of products in percent
Investment products						
Indices	13,953,610	20.0	14,059,987	20.0	114,284	25.2
Equities	16,205,597	23.2	16,386,603	23.3	334,345	73.6
Commodities	920,584	1.3	951,508	1.4	2,140	0.5
Currencies	163,776	0.2	163,923	0.2	64	0.0
Interest rates	38,007,179	54.4	38,026,104	54.1	3,427	0.8
Investment funds	663,683	0.9	659,170	0.9	108	0.0
	69,914,430	**97.7**	**70,247,296**	**97.6**	**454,368**	**41.4**
Leverage products						
Indices	607,840	37.6	639,698	36.9	165,823	25.7
Equities	794,157	49.1	860,752	49.7	418,663	65.0
Commodities	112,737	7.0	137,391	7.9	28,909	4.5
Currencies	91,239	5.6	79,968	4.6	28,304	4.4
Interest rates	12,716	0.8	15,710	0.9	2,728	0.4
Investment funds	54	0.0	53	0.0	15	0.0
	1,618,743	**2.3**	**1,733,573**	**2.4**	**644,442**	**58.6**
Total	**71,533,172**	**100.0**	**71,980,869**	**100.0**	**1,098,810**	**100.0**

Investment products by underlying



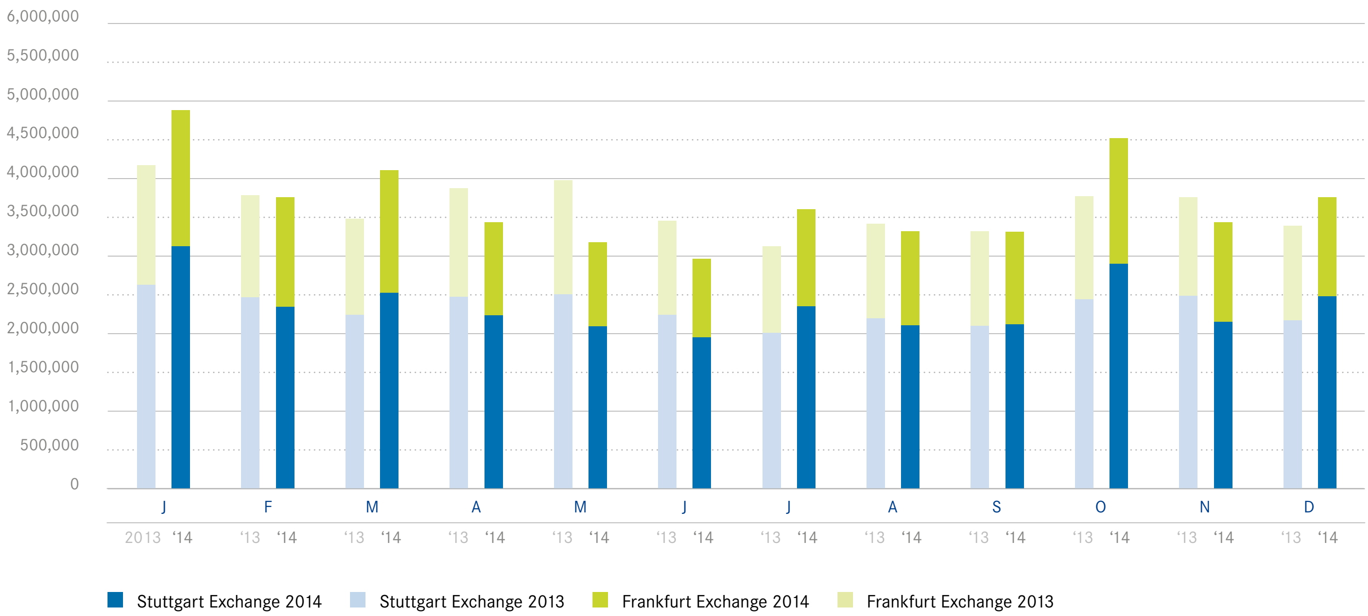
Leverage products by underlying



Investment products with interest rates as an underlying were the most popular. They accounted for 54.4 percent of the total volume. In second place came investment products with equities as an underlying, with a share of 23.2 percent of the volume. Investment products with indices as an underlying accounted for 20.0 percent. For leverage products, equities were the most popular underlying, and accounted for a share of 49.1 percent. Leverage products with indices as an underlying came second with a share of 37.6 percent. Leverage products based on commodities came in a distant third place, with 7.0 percent of the total volume.

Exchange turnover

Exchange turnover during the course of the year



At EUR 44.3 billion, exchange turnover from trading in structured products in Stuttgart and Frankfurt was up 1.8 percent in comparison with 2013.

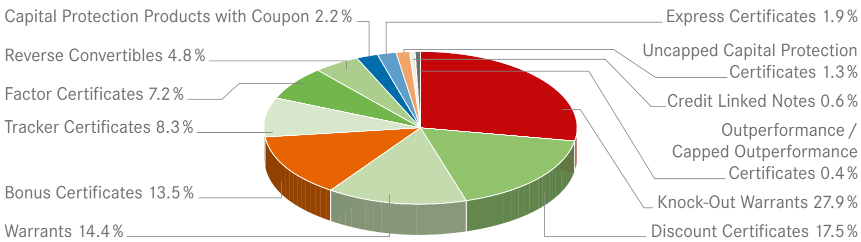
The Stuttgart Exchange generated turnover of around EUR 28.4 billion from trading in structured products in 2014, securing an average market share of 64.1 percent. The Frankfurt Exchange generated turnover of EUR 15.9 billion from trading in investment and leverage products. Its average share of the total volume over the year was 35.9 percent.

Trading turnover by exchange in 2014

Category	Client order volume Stuttgart Exchange		Client order volume Frankfurt Exchange		Total client order volume	
	Volume	**Share in percent**	**Volume**	**Share in percent**	**Volume**	**Share in percent**
Investment products						
Capital Protection Products	389,902	1.4	1,143,013	7.2	1,532,914	3.5
Yield Enhancement Products	14,470,629	51.0	6,345,763	40.0	20,816,391	47.0
	14,860,531	**52.4**	**7,488,775**	**47.2**	**22,349,306**	**50.5**
Leverage products						
Leverage products without knock-out	5,670,116	20.0	3,884,139	24.5	9,554,256	21.6
Leverage products with knock-out	7,856,226	27.7	4,493,319	28.3	12,349,545	27.9
	13,526,342	**47.6**	**8,377,459**	**52.8**	**21,903,801**	**49.5**
Derivative products	**28,386,872**	**100.0**	**15,866,234**	**100.0**	**44,253,107**	**100.0**

Exchange turnover by product category in 2014

	Volume in € '000	Compared with 2013 in percent	Market share in percent	Number of orders	Compared with 2013 in percent	Market share in percent	Volume per order in € '000	Compared with 2013 in percent
Investment products								
Uncapped Capital Protection Certificates	555,951	–43.7	1.3	28,077	–45.4	0.6	19,801	3.0
Capital Protection Products with Coupon	976,963	12.0	2.2	49,765	15.7	1.0	19,632	–3.2
Credit Linked Notes	264,286	n. a.	0.6	11,137	n. a.	0.2	23,730	n. a.
Reverse Convertibles	2,143,879	–31.0	4.8	122,712	–14.6	2.5	17,471	–19.2
Discount Certificates	7,762,315	–2.8	17.5	197,537	–13.5	4.0	39,296	12.3
Express Certificates	846,410	–30.4	1.9	42,139	–29.9	0.8	20,086	–0.7
Bonus Certificates	5,975,208	–10.6	13.5	205,612	–14.3	4.1	29,061	4.4
Tracker Certificates	3,662,465	–32.4	8.3	225,853	–36.5	4.6	16,216	6.5
Outperformance / Capped Outperformance Certificates	161,828	23.9	0.4	5,386	–13.6	0.1	30,046	43.3
	22,349,306	**–15.3**	**50.5**	**888,218**	**–21.3**	**17.9**	**25,162**	**7.6**
Leverage products								
Warrants	6,373,355	5.5	14.4	1,214,627	5.8	24.5	5,247	–0.3
Factor Certificates	3,180,901	832.8	7.2	286,479	733.4	5.8	11,103	11.9
Knock-Out Warrants	12,349,545	15.6	27.9	2,572,134	7.1	51.8	4,801	7.9
	21,903,801	**28.3**	**49.5**	**4,073,240**	**13.7**	**82.1**	**5,377**	**12.9**
Total	**44,253,107**	**1.8**	**100.0**	**4,961,458**	**5.3**	**100.0**	**8,919**	**–3.3**

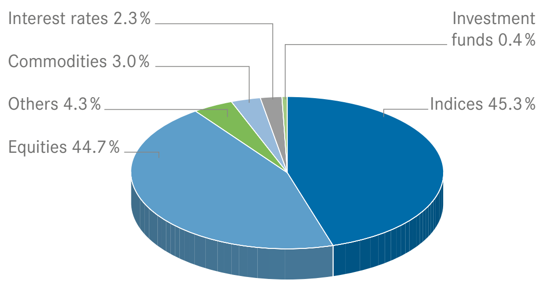


With a share of 50.5 percent, investment products accounted for half of exchange turnover in 2014. Leverage products accounted for 49.5 percent.

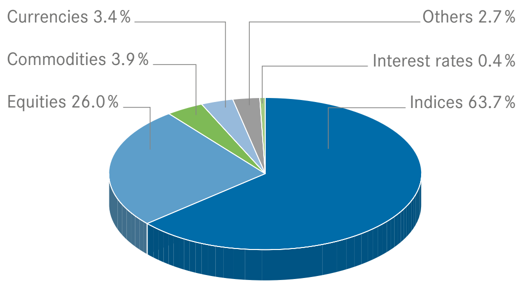
Exchange turnover by underlying in 2014

	Market volume in € '000	Compared with 2013 in percent	Market share in percent
Investment products			
Indices	10,120,624	–24.83	45.3
Equities	9,989,601	–8.51	44.7
Commodities	665,722	–13.77	3.0
Currencies	8,284	–56.81	0.0
Interest rates	514,331	–48.52	2.3
Investment funds	90,798	–8.00	0.4
Others	959,947	283.18	4.3
	22,349,306	**–15.73**	**50.5**
Leverage products			
Indices	13,949,484	43.93	63.7
Equities	5,687,107	6.16	26.0
Commodities	858,602	–23.38	3.9
Currencies	737,575	6.04	3.4
Interest rates	76,892	–61.80	0.4
Investment funds	616	84.91	0.0
Others	593,526	23,233.24	2.7
	21,903,801	**28.32**	**49.5**
Total	**44,253,107**	**1.80**	**100**

Investment products by underlying

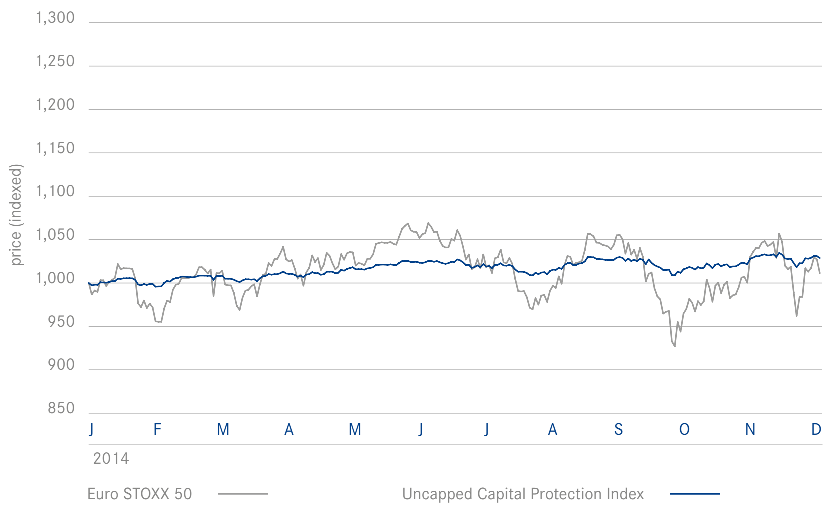


Leverage products by underlying



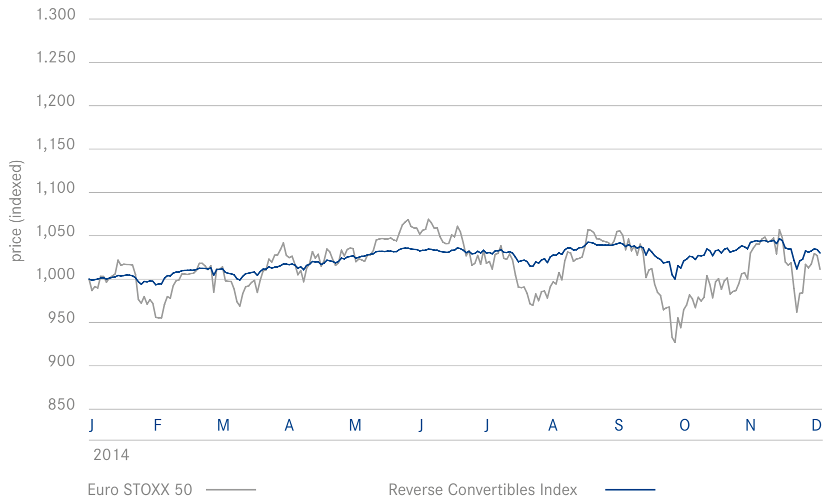
Structured product indices: comparison of the performance of structured products with other financial products

DDV supports the move of the European Derivatives Group to publish indices for different categories of structured products. The indices show the average performance of structured products and enable investors to make a direct comparison of their performance with that of other financial products.



Uncapped Capital Protection Index

While the Euro STOXX 50 lost up to 8.0 percent over several stages during 2014, the Uncapped Capital Protection Index only suffered minimal losses. Only in the mid-year upturn did the Uncapped Capital Protection Index lag slightly behind the Euro STOXX 50. Over the year as a whole, investors in the safe Uncapped Capital Protection Certificates made a gain of 2.9 percent, while the Euro STOXX 50 produced an annual return of 1.1 percent.



Reverse Convertibles Index

In 2014 the Reverse Convertibles Index was at its best. It slowed down considerably the temporary slumps in the Euro STOXX 50. It was only in the mid-year phase of sharply increasing prices that the Reverse Convertibles Index was not quite able to keep pace. However, at year-end it was up by 3.0 percent, while the Euro STOXX 50 only increased by 1.1 percent.

Bonus Index

It paid investors to invest in Bonus Certificates in 2014. In phases of upward movement they achieved substantial returns, and in downward phases they considerably cushioned some of the losses of the Euro STOXX 50. This resulted in a good performance over the year as a whole: while the Euro STOXX 50 managed an increase of just 1.1 percent, the Bonus Index achieved an annual return of 4.2 percent.

Source: EDG.

Market volume in Europe by EUSIPA classification

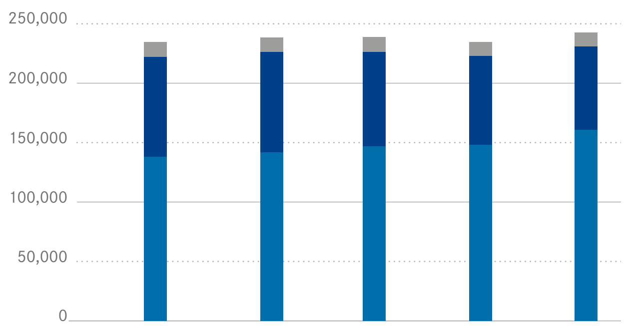
Investment and leverage products by product category in December 2014 (in EUR million)

	Germany	Austria	Switzerland	EUSIPA
1 Investment products				
11 Capital Protection	42,970		46,008	
12 Yield Enhancement	6,811		65,112	
13 Participation	15,154		47,006	
199 Various	4,980		2,703	
	69,915	**11,850**	**160,829**	**242,593**
2 Leverage Products				
21 without Knock-Out	660			
22 with Knock-Out	699			
23 Constant Leverage	260			
299 Various				
	1,619	**48**	**22,033**	**23,699**
Total	**71,534**	**11,898**	**182,862**	**266,292**

The outstanding volume in Germany, Austria and Switzerland at the end of December was EUR 266.3 billion. The market volume of investment products at the end of the second quarter of 2014 was EUR 242.6 billion, while EUR 23.7 billion was invested in leverage products.

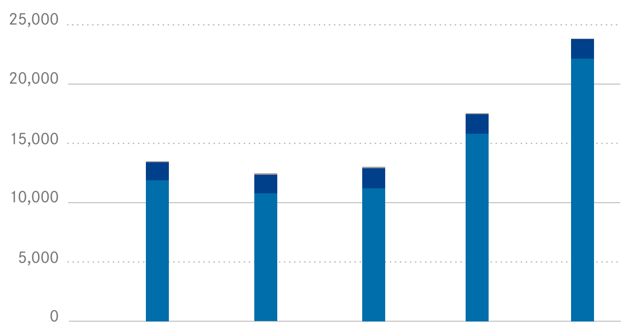
Market volume in Europe by country and quarter

Investment products by quarter (in EUR million)



	2013 Fouth quarter	2014 First quarter	Second quarter	Third quarter	Fouth quarter
Austria	12,500	12,300	12,400	11,440	11,850
Germany	84,196	84,512	79,783	74,786	69,915
Switzerland	137,965	141,619	146,635	148,202	160,829
Total	**234,661**	**238,430**	**238,818**	**234,429**	**242,594**

Leverage products by quarter (in EUR million)



2013 Fouth quarter	2014 First quarter	Second quarter	Third quarter	Fouth quarter
88	87	88	58	48
1,497	1,581	1,662	1,638	1,619
11,820	10,712	11,171	15,743	22,033
13,405	**12,380**	**12,920**	**17,438**	**23,700**

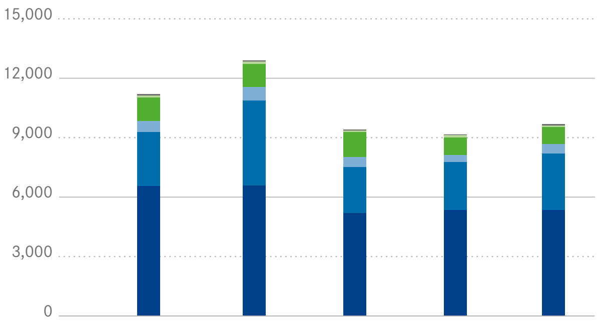
Exchange turnover in Europe by EUSIPA categories

Exchange turnover in Europe from January to December 2014 (in EUR million)

	Germany	France	Italy	Netherlands	Austria	Sweden	Switzerland	EUSIPA
1 Investment Products								
11 Capital Protection	1,532	29					1,030	2,591
12 Yield Enhancement	4,810	176					3,603	8,589
13 Participation	15,742	205		27			6,952	22,926
199 Various	264	0					295	559
	22,348	**410**	**4,142**	**27**	**220**	**2,035**	**11,880**	**41,062**
2 Leverage Products								
21 without Knock-Out	6,373	1,344			5	197		7,919
22 with Knock-Out	12,350	2,485		8,923	13	1,494		25,265
23 Constant Leverage	3,181	2,189		70		4,829		10,269
299 Various						179		179
	21,904	**6,018**	**20,520**	**8,993**	**18**	**6,698**	**10,876**	**75,027**
Total	**44,252**	**6,428**	**24,662**	**9,020**	**238**	**8,733**	**22,756**	**116,089**

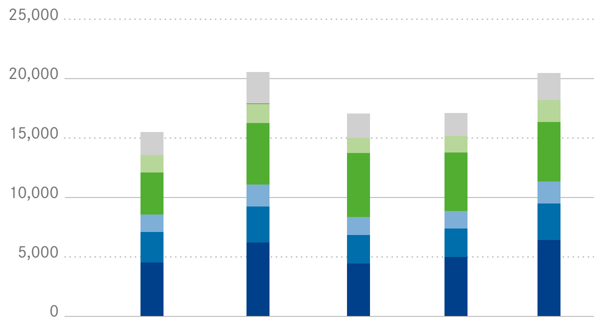
Exchange turnover in Europe by country and quarter

Investment products by quarter (in EUR million)



	2013	2014				
	Fourth quarter	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**Total 2014**
Netherlands	9	10	6	9	2	27
Austria	52	61	47	47	65	220
France	115	135	88	108	79	410
Italy	1,185	1,162	1,241	900	839	4,142
Sweden	545	685	516	335	499	2,035
Switzerland	2,745	4,272	2,318	2,444	2,846	11,880
Germany	6,519	6,559	5,167	5,302	5,321	22,348
Total	**11,169**	**12,884**	**9,383**	**9,145**	**9,651**	**41,062**

Leverage products by quarter (in EUR million)



	2013	2014				
	Fourth quarter	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**Total 2014**
Netherlands	1,947	2,682	2,082	1,947	2,282	8,993
Austria	4	6	4	3	5	18
France	1,459	1,616	1,231	1,360	1,811	6,018
Italy	3,557	5,185	5,384	4,925	5,026	20,520
Sweden	1,451	1,841	1,497	1,493	1,866	6,698
Switzerland	2,593	3,015	2,425	2,402	3,034	10,876
Germany	4,465	6,180	4,400	4,930	6,394	21,904
Total	**15,476**	**20,526**	**17,023**	**17,059**	**20,418**	**75,027**

DDV at work: **organisation, committees, executives and staff**

The association's Board of Directors and its committees deal with many specific issues. Almost every week, the individuals responsible meet in various groupings. A look at the calendar for 2014 shows as many as eight meetings of the Board of Directors, 12 meetings of the committees, and several meetings of various task forces and project groups. On top of this, there are general meetings as well as meetings of the Academic Advisory Board and of the European umbrella association, EUSIPA.

→ General meetings

Fourteenth general meeting on 25 March 2014
Fifteenth general meeting on 6 October 2014

→ Meetings of the Board of Directors

Fifty-fourth meeting on 31 January 2014
Fifty-fifth meeting on 6 March 2014
Fifty-sixth meeting on 3 April 2014
Fifty-seventh meeting on 20 May 2014
Fifty-eighth meeting on 18 June 2014
Fifty-ninth meeting on 17 September 2014
Sixtieth meeting on 31 October 2014
Sixty-first meeting on 15 December 2014

→ Academic Advisory Board

Eighth meeting on 28 February 2014
Ninth meeting on 4 July 2014
Tenth meeting on 5 December 2014

→ EUSIPA Board Meeting

Twelfth meeting on 9 April in Zurich, Switzerland
Thirteenth meeting on 22 October in Paris, France

→ Committee meetings

Regulation and Investor Protection Committee

Twenty-eighth meeting on 11 February 2014
Twenty-ninth meeting on 6 May 2014
Thirtieth meeting on 1 July 2014
Thirty-first meeting on 16 September 2014
Thirty-second meeting on 2 December 2014

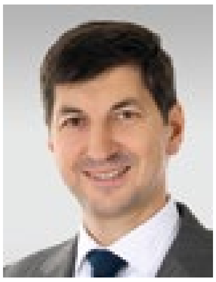
Prospectus Law Committee

Twenty-ninth meeting 11 February 2014
Thirtieth meeting on 6 May 2014
Thirty-first meeting on 1 July 2014
Thirty-second meeting on 16 September 2014
Thirty-third meeting on 2 December 2014

Tax Committee

Seventeenth meeting on 31 January 2014
Eighteenth meeting on 15 September 2014

→ Board of Directors



Stefan Armbruster
is Managing Director of the Asset and Wealth Management division at Deutsche Bank AG, responsible for structuring and distribution and marketing of structured products.

Jan Krüger
is head of the Retail Clients division at LBBW and is responsible for product management and the distribution and marketing of structured products and debt instruments to retail clients.

Klaus Oppermann
is Head of Public Distribution in the Corporates and Markets division at Commerzbank AG. He is responsible for the public distribution of securitised derivatives in Germany and other European countries.

Grégoire Toublanc
is Head of Exchange Traded Solutions at BNP Paribas and is responsible for the distribution and marketing of structured products.

Dr Hartmut Knüppel
is CEO and Member of the Board of Directors at Deutscher Derivate Verband (DDV). He has previously served in various roles in politics and industry.

(March 2015)

→ Strategic Board

Dr Jürgen Amendinger
UniCredit Bank AG
Deputy Global Head of
Private Investor Products
Global Head of Corporate
Investment Products

Frank Burkhardt
Société Générale S. A.
Managing Director

Stefan Hachmeister
Head of Capital Markets and Sales
Institutional Clients
DekaBank Deutsche Girozentrale

Lars Hille
DZ BANK AG
Member of the Board of
Managing Directors

Rainer Krick
Helaba - Landesbank Hessen-Thüringen
Member of the Board of Directors

Dr Jörg Kukies
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Member of the Board of
Managing Directors

Torsten Murke
BNP Paribas S. A.
Head of Corporate and Investment Banking

Michael Reuther
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Member of the Board of
Managing Directors

Carola Gräfin von Schmettow
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Member of the Management Board

Dirk Schmitz
Deutsche Bank AG
Managing Director
Head of Coverage Germany & Austria

Roger Studer
Bank Vontobel AG
Head of Investment Banking

Stefan Winter
UBS Deutschland AG
Member of the Executive Board

Ralf Woitschig
Bayerische Landesbank
Member of the Board of Management

(March 2015)

→ Academic Advisory Board

Professor Dr Sigrid Müller (Chairperson)
Humboldt-Universität zu Berlin, Germany

Professor Dr Lutz Johanning
WHU - Otto Beisheim School of Management,
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Eberhard Karls Universität of Tübingen, Germany

Professor Dr Bernd Rudolph
Ludwig Maximilians Universität of Munich, Germany

Professor Dr Dirk Schiereck
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(March 2015)

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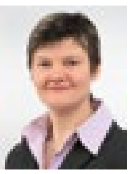

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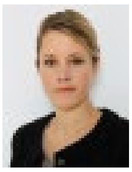

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