Deutscher Derivate Verband

# Media release

**Issuer survey 2016 / 2017**

## Structured products market optimistic about 2017
**Majority of issuers expect upward trend for the DAX blue-chip index / Issuers anticipate tougher competition**

*Frankfurt am Main, Germany, 8 December 2016*

Almost half of structured products issuers in Germany say the structured products business remained relatively stable during 2016. However, most issuers expect their business to perform at least as well or even better in the next year, but they anticipate more intense competition. In addition, the majority of those surveyed anticipates an upswing in the DAX blue-chip index. Compared with the previous year, the popularity of equities has increased. These are some of the findings from the latest annual survey conducted by Deutscher Derivate Verband (DDV), the German Derivatives Association, among 21 issuers representing more than 95 percent of the market for structured securities in Germany.

While one in every four issuers considers its structured products business to have performed better in 2016 than in the previous year, 43 percent see no change. One in every three judges their business to have performed worse than in 2015. Almost half of the respondents expect their business performance to improve in the first half of 2017. More than one in three expects their business to remain unchanged. 20 percent of those surveyed anticipate that their structured products business will worsen in the future.

Commenting on the market trend, Lars Brandau, Managing Director at Deutscher Derivate Verband, said: ‘In 2016, there was a further decline in structured products offering full capital protection, because the continuing low interest-rate environment resulted in less attractive offer conditions. However, the definite upturn in Capped Capital Protection Certificates continued. In particular, Reverse Convertibles and Express Certificates registered above-average growth. The yields of these products are directly dependent on the equity market, but they have built-in hedging functions to cushion equity risks.’

Fifty-five percent of issuers – 10 percent more than in the previous year – believe that the DAX blue-chip index will continue to improve. Thirty-five percent feel there will be no great change in the DAX index in the first half of 2017, and 10 percent of survey participants – 7 percent less than in 2015 – expect prices to fall.

**More intense competition**
Seventy-five percent of issuers (almost the same as in the previous year) feel the competitive environment has become tougher. Eighty percent of all structured products providers forecast even greater competitive pressure for the year 2017. One in two issuers – more than in the previous year – expect there to be fewer structured products issuers in the market in the coming twelve months. Forty percent expect there will not be any change in the number of issuers next year. Ten percent are at least of the opinion that new issuers will enter the market.

Almost every second provider believes that competition will primarily be focused on price components. However, 40 percent (more than in 2015) are certain that services will play a more significant role. Fifteen percent of all issuers expect product quality to be a key factor in the success of an issuer.

As many as one fourth feel that the growth of the structured products sector will be curbed by the trend of other asset classes, such as balanced investment funds and exchange-traded funds (ETFs).

**Immense regulatory burden**
The matter of regulation was even more topical and had an even stronger impact on issuers of structured products than in 2015.

Half of the issuers think it is likely that there will be a further significant increase in the costs associated with the regulation of structured products by legislature and supervisory authorities in 2017, while 30 percent of those surveyed only expect a slight increase in the regulatory burden. 15 percent – more than in 2015 - of respondents expect no change. Only 5 percent of issuers anticipate a decrease in the costs of regulation.

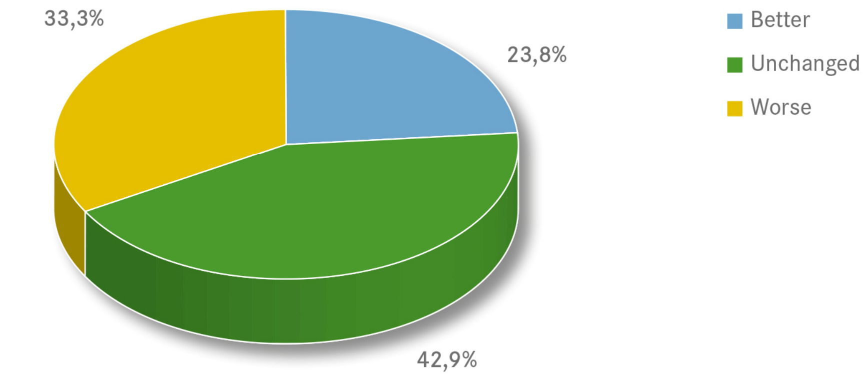
Christian Vollmuth, Managing Director at Deutscher Derivate Verband (DDV), the German Derivatives Association, commented: ‘Investor protection always makes sense if it results in greater transparency and means that investors can understand the way a product works and the risks and costs attached to it. In the past few years some good efforts have been made in the name of investor protection, such as a European cross-product information sheet, which was subsequently ruined by so-called improvements to details. For this reason we are urging that an increased number of serious consumer tests be carried out in advance of the implementation of any regulatory measures to establish their practical value for investors.’

**Stronger demand for Reverse Convertibles and Express Certificates**
Forty percent of issuers think Express Certificates are likely to enjoy the highest growth rates in 2017. No less than one fourth of those surveyed - significantly more respondents than in the previous year - expect more retail investors to put their money into Reverse Convertibles. Fifteen percent consider that investors’ interest will be focused on Capital Protection Products with Coupon. Ten percent anticipate growth in Bonus Certificates. One in every two issuers believes Factor Certificates will be the most popular leverage products.

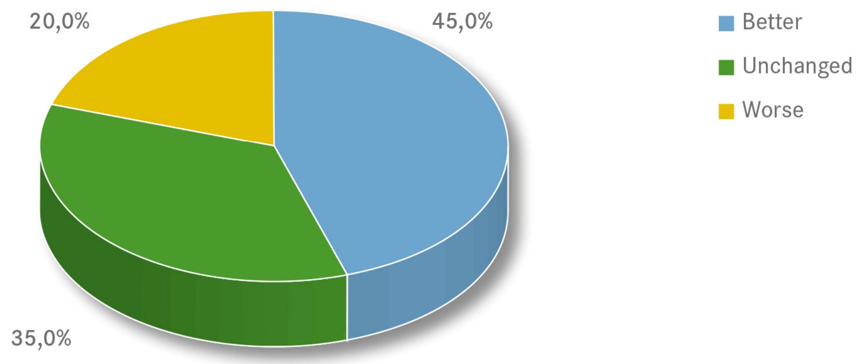
**Positive experience is key factor in the choice of a product**
According to 60 percent of issuers, positive past experience with the relevant issuer is the most important factor in an investor’s choice of product. Credit ratings are considered to be relatively unimportant. Forty percent of issuers believe they are the least important criterion in a retail investor’s choice of a structured product.

**Indices are the most popular underlying asset**
According to one in two issuers, indices will be investors’ first choice as an underlying for investment products, while forty percent – more respondents than in the previous year – feel most investors will probably choose equities. Fifty percent of those surveyed expect equities to be the most popular underlying for leverage products.

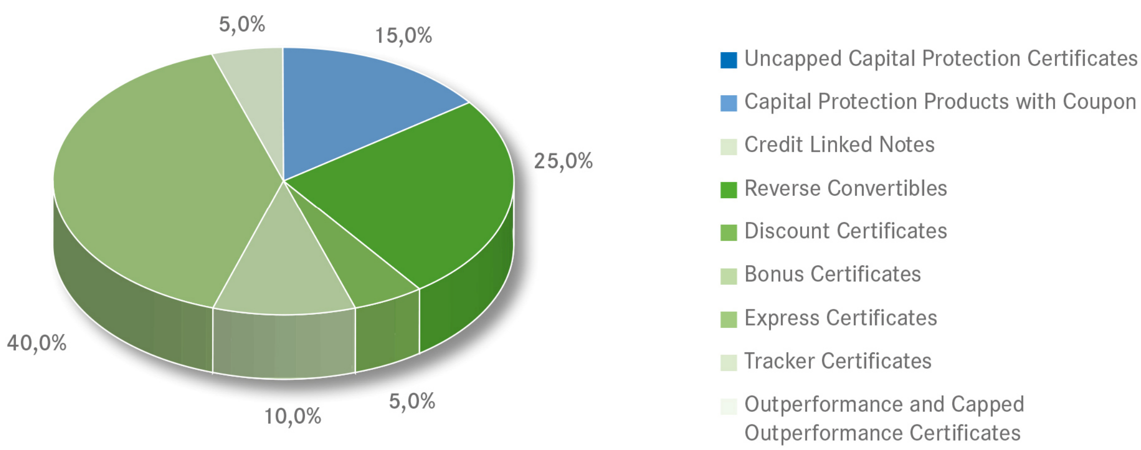
## How did the structured products business perform in 2016, in comparison with the previous year?



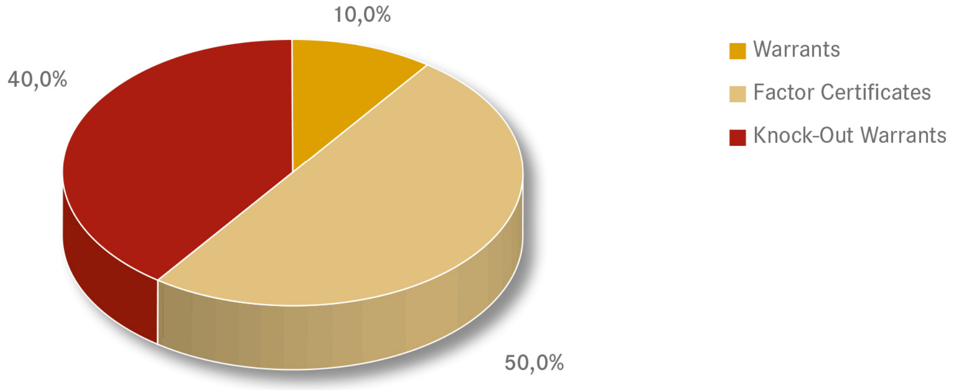

## How do you expect the to perform in the first half of 2017?



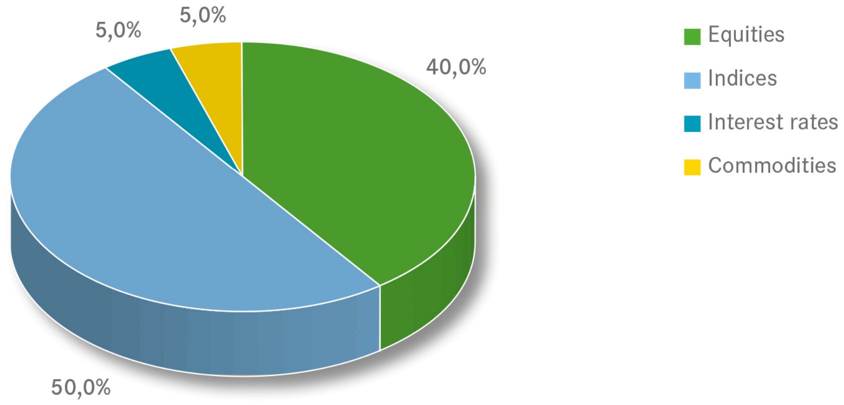

## Which investment products will experience the strongest growth in the coming year?



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




## Which underlying assets will most retail investors choose for investment products in 2017?

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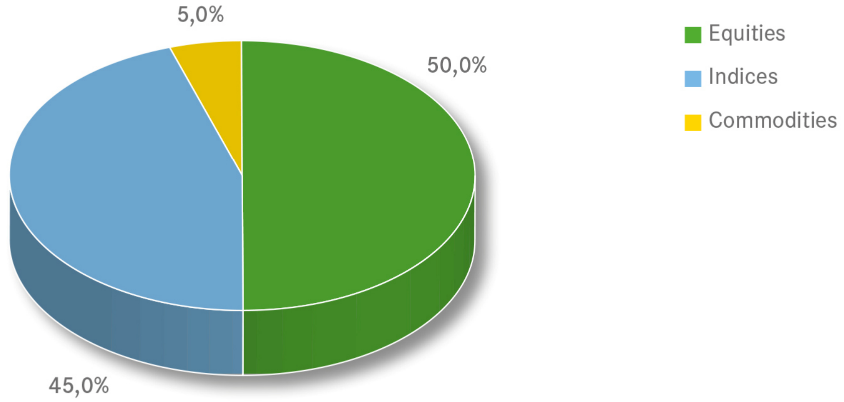
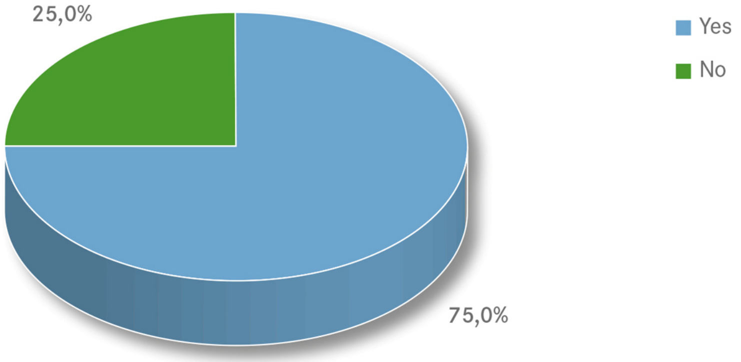
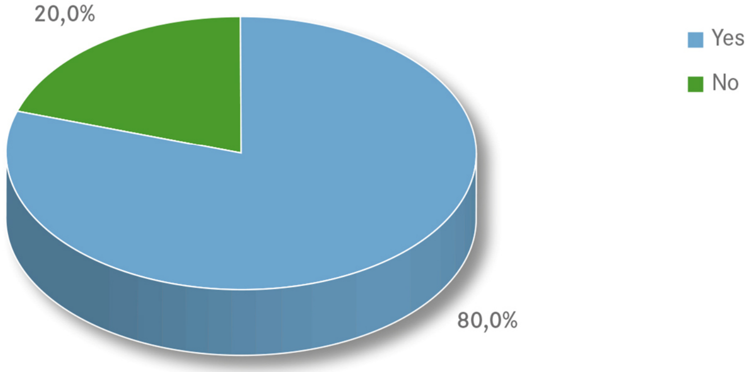


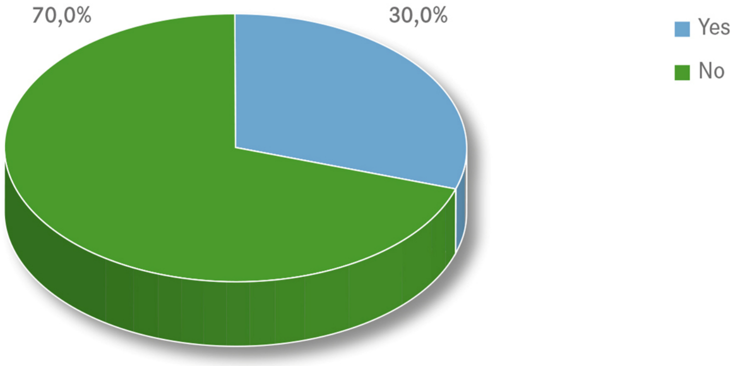
**Would you agree with the following statement? Competition in the structured products sector intensified in 2016.**



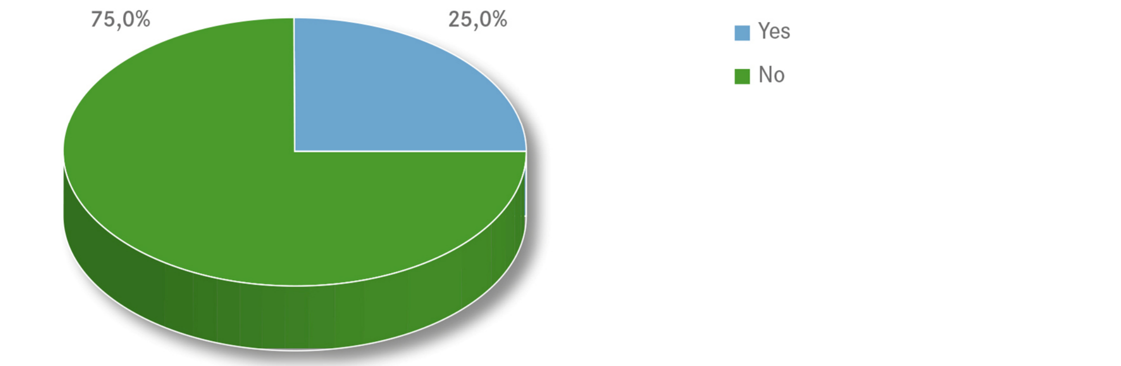

**Would you agree with the following statement? Competition in the structured products sector will intensify in 2017.**



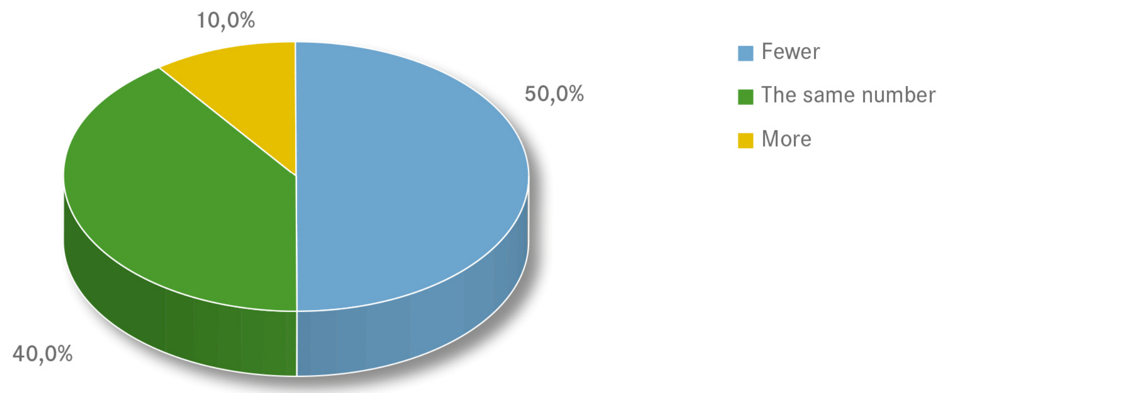

**Would you attribute the intensified competition in the structured products market solely to the increase in regulation?**



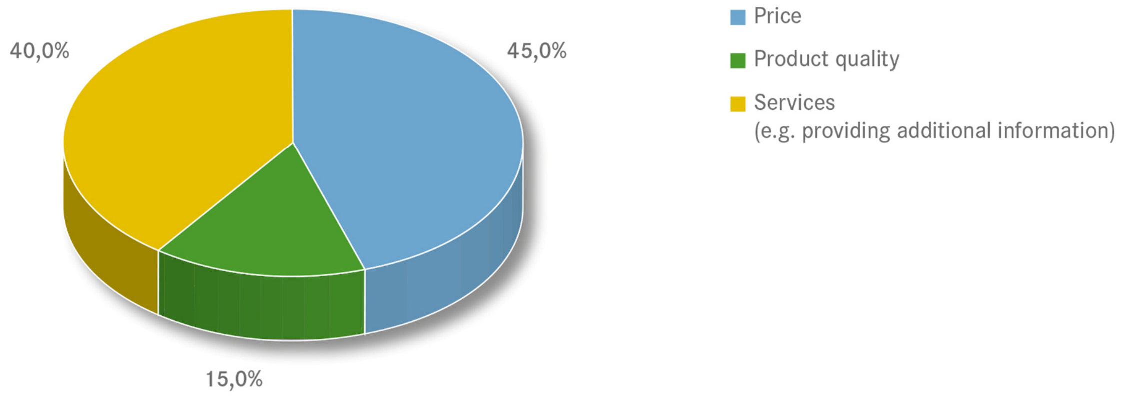
**Would you agree with the following statement? The positive mood prevailing in other asset classes, such as balanced funds and exchange traded funds (ETFs), is a key factor in curbing growth of the structured products sector.**



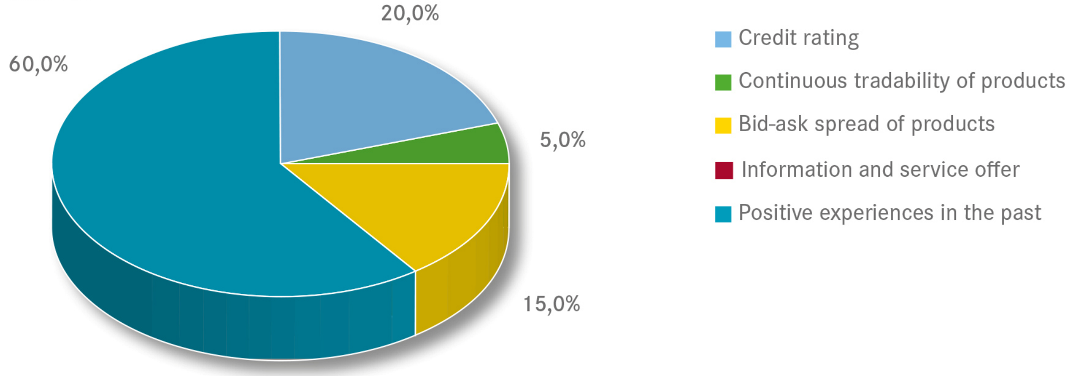

**How many structured products issuers will there be in Germany next year?**



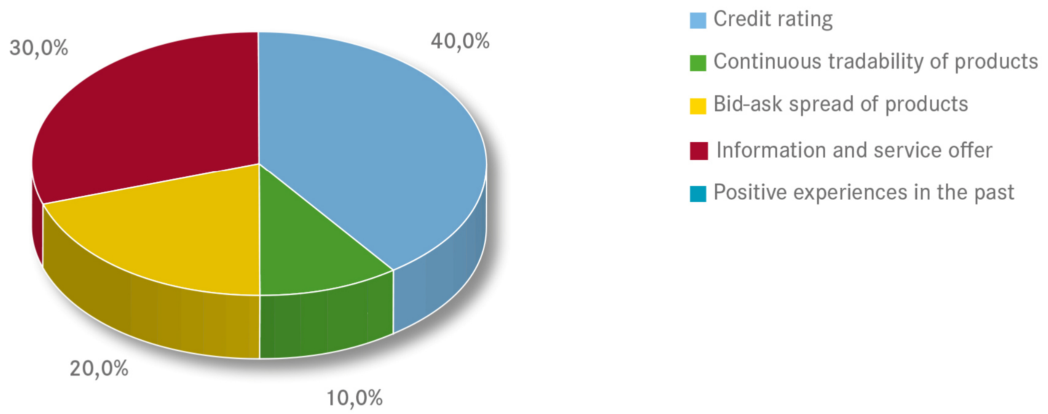

**What will give issuers a critical competitive advantage?**



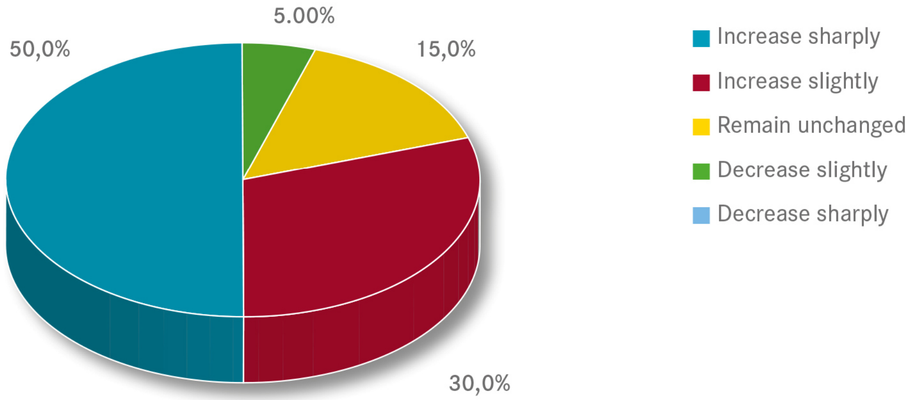
## What do you think is most important to retail investors choosing a Structured Product?



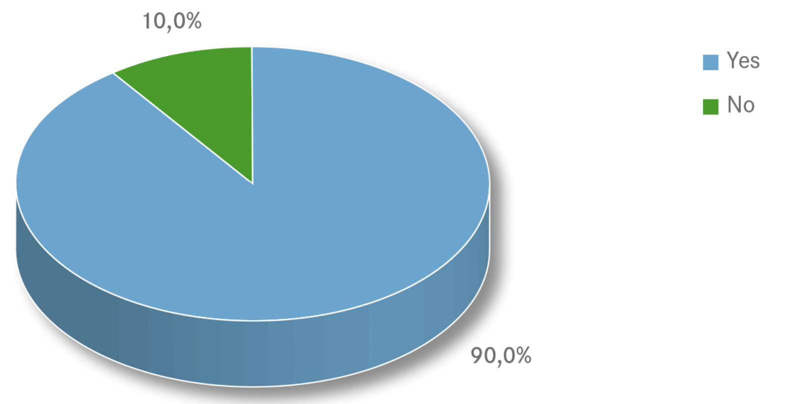

## What do you think is least important to retail investors choosing a Structured Product?



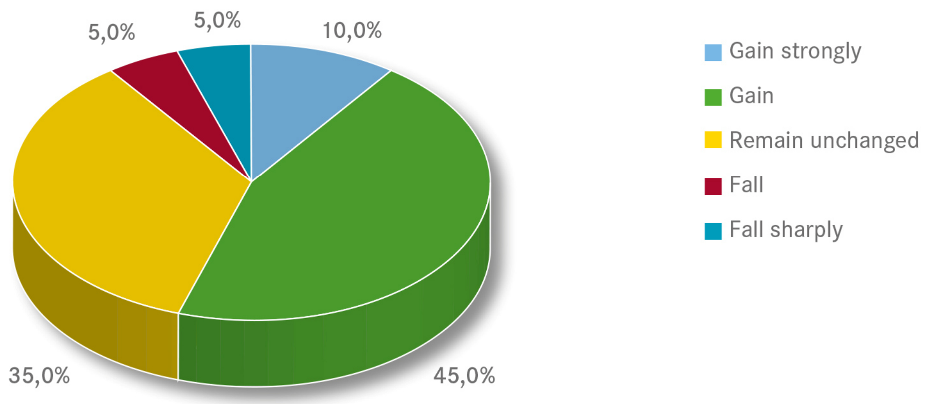

## Next year the cost to issuers associated with the regulation of structured products by legislature and supervisory authorities will



## Would a securities investment culture stimulate sales of structured products?




## How do you think the DAX blue-chip index will perform in the first half of 2017?




Deutscher Derivate Verband (DDV), the German Derivatives Association, is the industry representative body for the leading issuers of derivative securities in Germany, who represent more than 90 percent of the German structured products market: BayernLB, BNP Paribas, Citigroup, Commerzbank, DekaBank, Deutsche Bank, DZ BANK, Goldman Sachs, Helaba, HSBC Trinkaus, HypoVereinsbank, LBBW, Société Générale, UBS and Vontobel. Furthermore, the Association's work is supported by fourteen sponsoring members, which include the Stuttgart and Frankfurt Exchanges, Baader Bank, the direct banks comdirect bank, Consorsbank, DAB Bank, flatex, ING-DiBa and S Broker, as well as finance portals and other service providers.

www.derivateverband.de
Office in Berlin (Pariser Platz 3, 10117 Berlin, Germany)
Office in Frankfurt am Main (Feldbergstrasse 38, 60323 Frankfurt am Main, Germany)

Your contact:
Alexander Heftrich, Media Relations Officer
phone: +49 (0)69 244 33 03 70, mobile phone: +49 (0)160 805 30 34, heftrich@derivateverband.de

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