Shaping change

ANNUAL REPORT 2020

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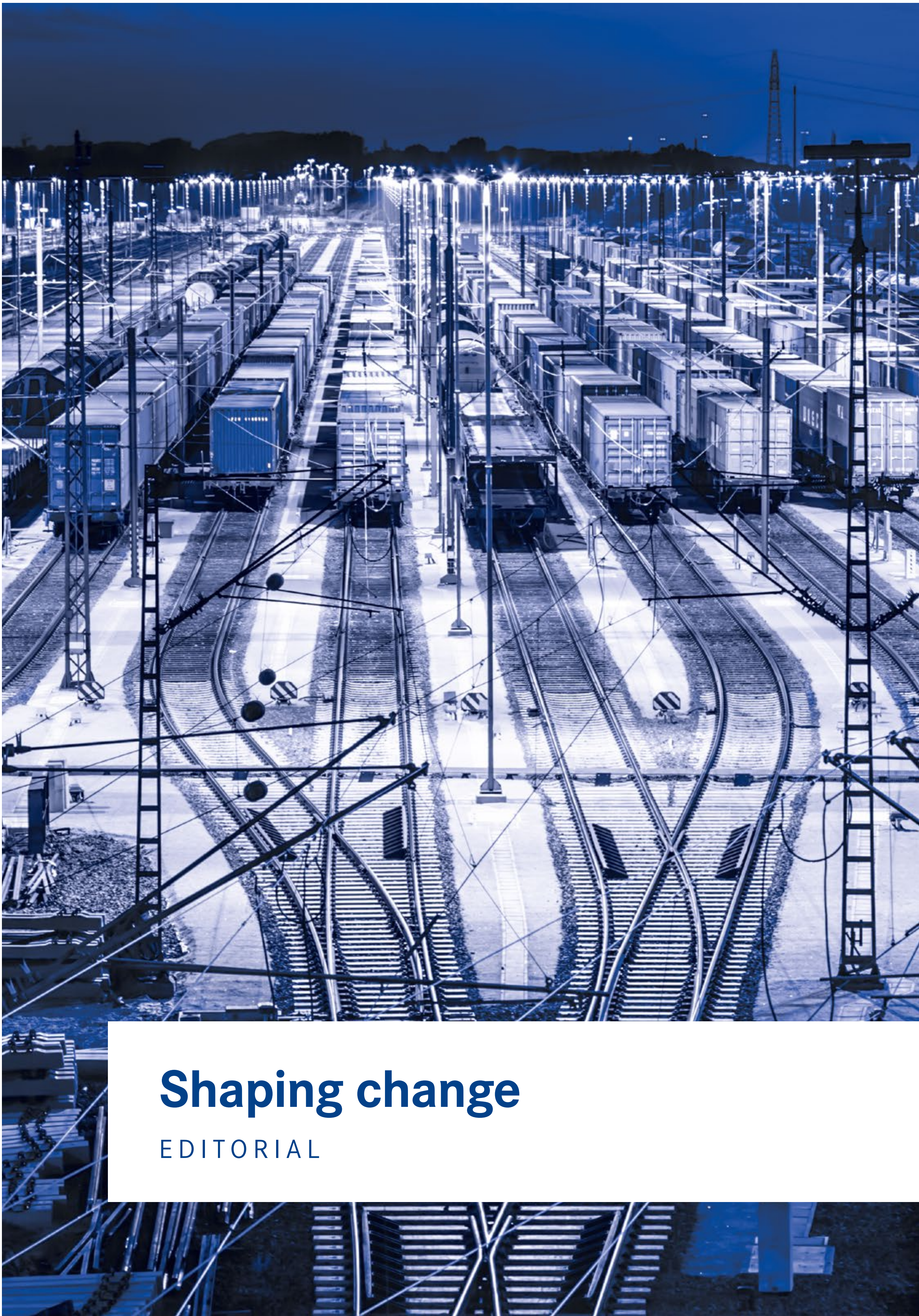


Shaping change

EDITORIAL

Dear Readers,

The year 2020, marked by the coronavirus crisis, was a very eventful year for structured products markets. In March, the market volume fell sharply by around nine percent. The coronavirus crash was a deep slump – but also the shortest in living memory. The recovery followed immediately. By the end of the year, the market volume had already climbed back to 70.2 billion euros, almost the same level as the previous year. Stock market turnover was consistently well above the monthly figures for the previous year. As such, the market development looks respectable in retrospect. Looking forward, there are signs of additional change on the horizon:

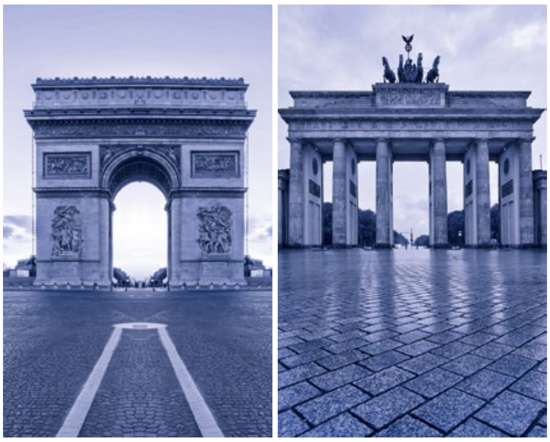
- More and more people are investing in securities. The number of securities accounts in Germany rose to 25 million in 2020 – many of them opened with direct brokers. New target groups are also being addressed here – young people who are technology and media-savvy, and are growing accustomed to securities investments. Financial education remains particularly important for them. With the new online training, we at the DDV and our members have expanded our financial education and information services. We want investors to be able to make well-informed decisions.
- The information provided to investors should be more tailored to their needs. This is what we advocated for in the revision of the EU Markets in Financial Instruments Directive (MiFID II) and the PRIIPs Regulation, and also as part of the intensified international strategy in our new alliance with German and French banking associations. Investor protection and transparency are important to us. In the future, the focus will also increasingly shift to sustainability. Here, it is also important to take on board the different ideas of investors and, at the same time, enable comparability through standardisation. As an industry, we want to take this into account with sustainable structured products.
- The securities industry is about to enter a new era of digitisation. In Germany, securities law is being opened up to purely digital approaches. In addition, legislative proposals are on the table with the European Union's digital finance package. In our view, the same requirements should apply to both existing and future purely digital securities in this context.

We at the DDV want to further improve the conditions for structured products. We are convinced that, for many retail investors in Germany, structured products are an important part of a portfolio strategy for wealth accumulation and investment. This is why we are working on your behalf to ensure that as many investors as possible can continue to enjoy success and gratification with these exciting products.

The present annual report outlines our most interesting projects of the past year for you. I hope you find the report an enjoyable read.

Henning Bergmann

Berlin/Frankfurt am Main, Germany, May 2021



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“We have undertaken a number of major projects over the past year”

INTERVIEW WITH DR HENNING BERGMANN

How has the coronavirus pandemic changed the work of the DDV?

We very quickly reduced all personal contact as far as possible and expanded the technical capabilities for all staff to work from home. In committee work and, for example, in recruiting, we have found a healthy combination of online and video communication and occasional in-person meetings – taking all the necessary precautions. And even if, over time, we have missed the face-to-face meetings and discussions, I think we work really well together remotely under the circumstances. Last year, we managed to successfully implement several major projects. I can well imagine that we will continue to use some of the new communication formats even after the pandemic.

What were the major projects last year?

At the DDV, which represents the issuers of structured products from all three pillars of the German banking industry, we set ourselves the goal of more efficiently representing our members‘ interests in the European context. We not only used our membership in the European umbrella organisation EUSIPA, but also formed cross-border national alliances. Having launched the German-French alliance, we took a major step forward with a joint position on the MiFID II quick fix and the Prospectus Regulation review.

Why is this alliance so significant?

At the DDV, we found common ground between five German and French associations and introduced concrete proposals into the European debate. These were aimed at ensuring that the financial markets can make an even better contribution to supplying Europe’s crisis-ridden economies with capital. We have received recognition from the EU institutions for this joint, constructive approach. By taking a joint German-French position, a lot of work has been done in forging European solutions. In the meantime, much of the information for investors can be provided electronically, and it has been streamlined and abbreviated to the appropriate level for professional clients. This is welcome progress that we have been working towards.

What other projects is the DDV working on?

The fundamentals for the securities industry are currently being rewritten at the European level. MiFID II and the Prospectus Regulation were amended at short notice in light of the COVID-19 pandemic and its impact on the capital market. Now MiFID II and MiFIR are facing a fundamental review. In addition, investor information is to be improved. The major social drivers for change – the desire for greater sustainability and digitisation – need to be reflected in manageable rules.

How is the industry positioning itself on the topic of sustainability?

The issuers are very active here, and the topic is also being driven at all political levels. We have held in-depth discussions in our boards and committees, and have come to the consensus that we voluntarily want to go beyond what is required by law. As such, we started to develop common standards for the industry in 2020. This is driven by the shared conviction that a uniform, transparent approach creates trust and enables investors to pursue their individual sustainable investment strategies with structured products as well.

What can investors expect in the near future?

It is expected that new MiFID II requirements will apply from mid-2022, according to which it will be mandatory to ask clients about their sustainability preferences when providing investment advice. We are building on precisely this system. We are convinced that there will be an increasing number of sustainable structured investment products to choose from. Investors should then not only be able to readily grasp the risk-reward profile of products, but also easily find information about the underlying sustainability strategies. We believe that this transparency is the best basis for making autonomous investment decisions.

What role does German legislation play for the industry?

In the area of financial market regulation, a great deal is being done at the European level. However, Germany, of course, has an important say. Sometimes European legislation still has to be transposed into national law, but there are also issues that are solely in the hands of the German legislator. In the case of tax legislation, for example, we are involved in in-depth discussions with both policymakers and the administration. The limited offsetting of tax losses on forward contracts is an imbalance in the German tax system that we criticise in no uncertain terms. Under no circumstances should this imbalance be worsened by including securities such as Warrants in the category of forward contracts.

What is the DDV's position on the digitisation of securities law?

The securities business itself is already highly digital and efficient. Expanding German securities law to include purely digital forms of securities is a further improvement and increases efficiency even more. However, it is also certain that no one can yet fully assess the changes brought about by the new crypto securities. As such, it is all the more important that a reliable legal framework for these new, purely digital forms of securities is placed on an equal legal footing with established types of securities. At the DDV, we are contributing extensively to the policymaking process here, and are also keenly following the discussions at the European level. I believe that we can provide our members important added value through disseminating information and holding discussions on this topic.

What is the cooperation like with the members of the DDV?

We work together very constructively and pragmatically at the DDV. The Board of Directors was re-elected in 2020. The board and management are a well-coordinated team and can thus jointly determine the best course of action. This also serves to attract new members. We are pleased that Deutsche Kreditbank and J.P. Morgan joined last year, and more new members are also due to join in 2021. At the DDV, we succeed in bundling and representing the interests of issuers of structured products and, increasingly, also of other stakeholders. I think this is important, because Germany as a financial centre needs strong voices in the European context as well.

What are your plans for the near future?

We want to continue to support policymaking at the national and European levels with industry experience, as well as with academic expertise. Last year, for example, we presented a highly regarded study on leverage products together with the WHU. We will continue to do this and expand our range of information services. This also applies to our educational services, for which my management colleague Lars Brandau is responsible. More and more people are becoming interested in investing in securities. We want to provide information and education, because structured products are attractive for retail investors, especially in the current low-interest environment. Dealing with them requires knowledge and experience, and we have a lot to offer in this respect.

Following the quick fix, the review focuses on investor information

MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID II)

Due to the COVID-19 pandemic, what had started out as a major project ultimately ended in minor corrections to the revised European Markets in Financial Instruments Directive (MiFID II). In May 2020, the European Commission conducted a very comprehensive consultation on the directive – a good two years after its entry into force. Investor protection regulations were the subject of particular scrutiny. In contrast, the Capital Markets Recovery Package provided for only a few urgent revisions. For example, securities transactions are increasingly being converted to digital form – paper-based information only has to be provided at the client's request. In addition, it is now easier to provide certain information retrospectively with regard to the distance selling of financial products, and professional clients are sometimes exempted from such information requirements altogether. We have been working towards this at the DDV, and welcome these simplifications. It was one of the DDV's central concerns that the paradigm shift in product regulation was not achieved by taking short cuts. As such, we welcome the fact that only simple bonds are exempted from the product governance regime and that financial instruments such as funds continue to be included in the regime alongside structured products.

According to reports, the European Commission is already working on a more fundamental review of various investor regulations, and is likely to take a closer look at the interplay between different regulations. This is also indicated by corresponding measures within the framework of the Capital Markets Union. In particular, the European Commission is also pursuing a more consistent approach to the disclosure of investor information, which is to be welcomed in principle. The current patchwork of different information sources for essentially the same content is not very effective. For example, information on product costs is regulated both in MiFID II and the PRIIPs Regulation, as well as in the Prospectus Regulation. In addition, there are numerous transparency requirements relating to sustainability that need to be purposefully embedded in the existing information regime.

The European Commission is expected to pick this up again in the second half of 2021 in the form of preliminary legislative proposals. The DDV will be following the developments here very closely.

Dr Katja Kirchstein
Senior Advisor
Legal and Regulatory Affairs

“A welcome engine for the EU capital market”

THE DDV FORGES GERMAN-FRENCH ALLIANCE

As the engine of the European Union (EU), German-French cooperation is also crucial in the area of financial markets. This is even truer now that the United Kingdom has left the EU and the continent is looking to rededicate itself to its strengths in the financial services sector. Joint decision-making at the EU level benefits here from the continued and strong leadership of two of its historic founders – Germany and France. They are in a position to provide important impetus to the EU. To this end, Germany and France should continue to work hand in hand. This requires that they know and respect each other culturally and substantively. On a solid foundation of understanding, cooperation between these two prominent member states can generate a productive tension that helps to produce positive results for the common good.

In this context, the DDV has launched a German-French coalition. On the German side, the German Savings Banks Association (Deutscher Sparkassen- und Giroverband, DSGV) joined the initiative, while, on the French side, the entire French financial industry is represented: the French Banking Federation (Fédération Bancaire Française, FBF, the professional association of all French banks); the French Financial Market Association (Association française des marchés financiers, AMAFI, the representative body for professionals working in the securities industry and financial markets in France); and the French association of structured and listed retail investment products (Association française des Produits Dérivés de Bourse, AFPDB, which represents the interests of the main issuers of structured products distributed in France). This coalition is of particular relevance because efforts are now being made by governments to deepen continental capital markets within the framework of the Capital Markets Union (CMU). A German-French initiative can indeed be a driving force in this area and make it possible to convince the European institutions (the European Commission, the European Parliament, and the European Council) and authorities (in particular, the European Securities and Markets Authority, ESMA) that the regulatory framework of European financial institutions should be adapted to the needs of investors. To this end, the scope of products and services offered could be expanded. At the same time, the market realities faced by issuers should be taken into account. The aim should be to facilitate their access to and activities in markets.

Specifically, the German-French coalition has developed a detailed joint position paper on the Capital Markets Recovery Package, which includes the common priorities on the revised Markets in Financial Instruments Directive (MiFID II) and the review of the Prospectus Regulation, as well as the main concerns relating to benchmarks. Issues raised included the product governance exception and the clarification of the subscription period with regard to the right of withdrawal in the event of a prospectus supplement announcement.

The German and French participants in the coalition approached their respective national authorities and together met with the members of the European Parliament responsible for this dossier. It is fair to say that this coalition has achieved a certain level of recognition among the authorities, as well as among other national and European associations. From now on, there will be ongoing contact between the German and French associations on legislative projects that are important for the industry. The upcoming full legislative revisions (MiFID II – investor protection component, the Prospectus Regulation, and PRIIPs, which will be embedded in the retail investment strategy) present good opportunities to continue these joint efforts, as do the changes required to stimulate the economy in the wake of the coronavirus crisis and for the further development of investor protection. The German-French coalition also joined forces on the occasion of an inducements study conducted as part of the preparations for the MiFID II review, which may also prove helpful in upcoming discussions. Our goal at the DDV is to establish this coalition as a strong, long-term foundation on which further alliances can be built.

The DDV strengthens further cross-border and cross-industry cooperation with other associations

The DDV is in regular contact with the European associations representing the banking sector – the European Banking Federation (EBF), the European Savings and Retail Banking Group (ESBG), and the European Association of Co-operative Banks (EACB) – as well as with the associations of asset managers (EFAMA) and insurers (Insurance Europe). As a niche player, the DDV has a great deal of scope to contribute ideas and promote exchange between the associations. In addition to this European network, the DDV has started to establish contacts with international organisations such as the International Swaps and Derivatives Association (ISDA) and the International Capital Market Association (ICMA). Participation in the advisory committee of the International Organization of Securities Commissions (IOSCO), where discussions are held with regulators from around the world, also contributes to this reach.

Dr Caroline Bérard-Gourisse
Head of EU Policy and
International Affairs

"EU Capital Markets Union should strengthen securities investments"

FURTHER DEVELOPMENT OF THE EU SINGLE MARKET

In September 2020, the European Commission presented the new action plan on the Capital Markets Union (CMU). This is the second since 2015, and aims to improve the ecosystem for raising capital for companies in the EU, create more efficient and integrated pan-European capital market architecture, and better support retail investors in investing their savings. The completion of the Capital Markets Union is also supported by the co-legislators: the European Parliament provided the contours of the mandate in the form of resolution on 8 October 2020, and the Economic and Financial Affairs Council (ECOFIN) presented its findings on 1 December 2020.

The new Capital Markets Union Action Plan lists 16 specific actions that take into account the recommendations of the High-Level Forum on the CMU of June 2020. In terms of content, the priorities have been readjusted in light of the coronavirus pandemic, with greater importance now attached to economic recovery. However, the main focus of the measures is on further increasing the efficiency of the EU capital markets: cross-border taxation of dividends is to be simplified by means of a uniform withholding tax, a Europe-wide company database is to be created, and access to the capital market is to be facilitated for small companies. In addition, the European Commission wants to improve the financial literacy of retail investors through the development of a dedicated EU financial literacy framework and the promotion of learning measures, particularly with regard to responsible investing. With respect to supervision, convergence is to be advanced through greater coordination or direct supervision by the ESAs. Here, the next review is due by the end of 2021.

As regards structured products, the new CMU Action Plan includes issues of critical importance that will influence the development of the existing regulatory framework. This is particularly true for action eight – building retail investors' trust in capital markets. Here, an assessment of the rules in the area of inducements and disclosure is planned by the first quarter of 2022. In the area of distribution, consideration will be given to (i) aligning investor protection standards in the Insurance Distribution Directive (IDD) with those applicable under MiFID II; (ii) asking distributors to inform clients of the existence of third-party products; (iii) improving the transparency of inducements for clients; and (iv) introducing specific reporting requirements for the distributors of retail investment products to allow for supervisory scrutiny.

In the area of disclosure, comparisons, interaction, and customisation are identified as priorities, particularly to accelerate the uptake of sustainable products by retail investors. Based on this assessment, the European Commission may table legislative amendments to address any possible conflicts of interest emanating from the payment of inducements to distributors, as well as weaknesses of the current disclosure framework, notably to seek better alignment of the IDD, MiFID II, and the PRIIPs Regulation.

The administrative burden and information requirements for a subset of retail investors are to be reduced by reviewing the existing investor categorisation or the introduction of a new category of qualified investors. The amendments to MiFID II planned by the fourth quarter of 2021/first quarter of 2022 also serve this goal.

In the Capital Markets Union project, policy objectives coincide with investors' interests. It is precisely here that the structured products industry can make its voice heard, as the Capital Markets Union offers a unique opportunity to emphasise the advantages of these products to European and national decision makers. As a valuable complement to traditional forms of investment, structured products form the basis for a dynamic securities culture that relies on independent retail investors. Structured products promote the attractiveness of EU markets to retail investors by contributing to a vibrant financial ecosystem in the retail area. They are one of the few options currently available to generate the returns retail investors need – a challenge also recognised by the High-Level Forum on Capital Markets Union. Structured products also attract retail investors because of their optimised risk profiles. For example, in 2018, 95 percent of structured investment products had a lower risk profile than equities. Structured products allow investors to diversify or hedge their portfolios. Overall, they increase activity in the markets, which is ultimately positive for the refinancing of capital market-oriented companies. Individuals investing in structured products are already well versed in other asset classes such as equities and funds, and have gathered a lot of experience. There are good reasons why this is an area with a lot of financial education activities. The industry provides investors with a broad variety of educational services in the field of finance – facts and figures, statistics, explanatory videos, and even seminars. Everything is designed to offer retail investors the necessary tools, right down to explanations by experts, product classifications, checklists, standardised terminology – so they are able to make their own investment decisions.

The DDV will continue in its efforts to present these advantages of structured products to European and national decision makers, and contribute to ensuring that the regulatory framework supports investor-friendly market development.

Dr Caroline Bérard-Gourisse
Head of EU Policy and
International Affairs

“Better to have a general overhaul than inadequate repairs”

PRIIPS REGIME UNDER SCRUTINY

The European PRIIPs (Packaged Retail and Insurance-based Investment Products) regime is still young, but nonetheless finds itself under scrutiny once again. This is because the initial difficulties have not yet been overcome. The regulation concerns the heart of investor protection: client information – the Key Information Document (KID). This explains the tough wrangling over the regulation.

The KID provides retail investors with information that they can use to understand and compare the risks, costs, and performance of different financial instruments. Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (the PRIIPs Regulation) has been applicable since 1 January 2018. It establishes uniform rules on the format and content of KIDs. This information is to be provided by PRIIPs manufacturers. Anyone wanting to invest in these products receives this information – either directly from the PRIIPs manufacturer or from the person who sells or advises on the products.

The PRIIPs Regulation faced difficulties even before its application: the Regulatory Technical Standards (RTS) for KIDs initially proposed by the European Supervisory Authorities (ESAs) in November 2015 were rejected by the European Parliament and published belatedly in April 2017. As a result, the application date of the PRIIPs Regulation had to be postponed.

On 31 December 2021, the transition period for funds will expire, which were initially exempted from the regulation on a transitional basis. In addition, there are still fundamental weaknesses in the PRIIPs regime. As such, the regulations had to be revised once again. In the summer of 2020, however, the new version was rejected by EIOPA's Board of Supervisors. The subsequent struggle over the RTS is probably unique in the history of European legislation: while negotiations were initially (and unusually) mainly in the hands of the ESAs, the competence fell back to the European Commission after the rejection. In December 2020, it again asked the ESAs to vote on the rejected RTS. On 3 February 2021, these adopted the RTS in the version rejected in the summer. Now the European Commission will decide on it once again. But what are the consequences for the industry?

There is widespread consensus that both the PRIIPs Regulation and the RTS in the current version are in need of improvement. The stated goal of improving investor protection and transparency by standardising KIDs and thereby making PRIIPs more comparable will not be achieved with the amendments currently proposed.

The DDV has always constructively pointed out the numerous shortcomings of the initially rejected RTS, most recently in a joint position paper with French associations, and has made representations to the European Commission and ESMA in this regard. The status quo of the current PRIIPs regime is better for the industry than the one under the rejected RTS, especially as this would have required multi-stage, incremental (and thus cost intensive) implementation. From the DDV's perspective, it would have been ideal to postpone the revision of the RTS until the upcoming review of the PRIIPs Regulation in order to avoid patchwork implementation. The European Commission, on the other hand, seems to have taken a different position and is now planning the implementation of the submitted RTS. In discussions with the European Commission, the DDV has consistently criticised the use of discretionary elements. It will now increasingly advocate the restriction of these so that financial products continue to be as comparable as possible, as, ultimately, the goal of all measures needs to be the improvement of investor protection.

Annekatrin Kutzbach
Legal Counsel
Legal and Regulatory Affairs

Sustainability: Structured products make a clear contribution

LEGAL FOUNDATIONS LAID FOR SUSTAINABLE FINANCE

In 2019 and 2020, the legal foundations for transparent and sustainable investments were laid with the Taxonomy Regulation, the Disclosure Regulation, and the introduction of dedicated sustainability benchmarks. Following this, the first detailed rules were formulated last year.

The coordination on the Level 2 requirements in connection with the disclosure obligations for investment funds, insurance companies, portfolio managers, and investment advisers has made clear the immense challenges facing both the financial and real economy. The issue is solving the chicken and egg problem, and matching investors' interest in sustainable investments with the corresponding meaningful data and information from companies about the sustainability of their business operations. Initially, the concepts of transparency regarding adverse sustainability impacts were very broad, and the reporting obligations of real economy companies were not comprehensively provided. Nevertheless, the final report of the European Supervisory Authorities gives reason to hope that a pragmatic approach will prevail, at least in part. In addition, indirect investments, such as in the form of derivatives, are explicitly mentioned as a potential component of sustainable investments.

The latter is relevant for structured products, which can have an influence on sustainability objectives both due to their nature as debt securities and in view of their derivative component for mapping special repayment profiles. Although these are not formally within the scope of the Disclosure Regulation, it is expected that the structured products industry will implement the requirements that apply to funds in an equivalent way going forward. We also expect that reference will be made to the Disclosure Regulation in the planned implementation regulations for MiFID II. Issuers will then also have to implicitly take this into account when implementing the provisions on product regulation (product governance) from mid-2022.

The DDV is working on its Sustainable Finance Code of Conduct: Transparency is the top priority

In 2020, the DDV closely supported its members in the preparations for the upcoming implementation work, and drafted far-reaching industry standards. These standards will be adopted in the current year in the form of the DDV Sustainable Finance Code of Conduct. The Code of Conduct fleshes out the product categories abstractly defined in the laws, making them more manageable for investors who invest in structured products. In addition, the Code of Conduct establishes clear transparency requirements for issuers. Starting in 2022, an independent advisory board will review whether these requirements are being met. This year, the DDV is focusing its activities on supporting its members in implementing the detailed transparency requirements. Here, the industry aims to implement the requirements tailored to funds and portfolio managers in an equivalent manner for structured products.

With regard to the crucial issue of the availability and reliability of ESG (Environmental, Social, and Governance) corporate data, all market participants are in the same boat. The industry agrees that all financial market participants would benefit from a central database – a European Single Access Point (ESAP). At the same time, it is becoming increasingly important to ensure the quality of sustainability research and ratings. In addition, policymakers need to continue their efforts to define what sustainability actually means in concrete terms, both in terms of the details of the adopted Taxonomy Regulation and with regard to its expansion to include social sustainability objectives. This will also have an impact on the classification of structured products as sustainable investments. Although many decisions are still pending, we at the DDV are convinced that structured products can make an important contribution to enabling retail investors to pursue sustainable investment strategies – transparently and reliably.

Dr Katja Kirchstein
Senior Advisor
Legal and Regulatory Affairs

Why hedging portfolios with Warrants should not be made more difficult

TAX LOSS OFFSETTING

With the amendment of the German Income Tax Act (Einkommensteuergesetz) in 2019, tax loss offsetting for investors has been restricted. From 2021 onwards, losses from forward contracts can only be offset against profits from other forward contracts and income from option writer transactions, and only up to a maximum of 20,000 euros per year. It is unclear whether Warrants will also be included in forward contracts and thus also fall under the limited tax loss offsetting rules.

This issue is a top priority for the DDV. The WHU – Otto Beisheim School of Management put the number of investors with leverage products such as Warrants in their portfolios at 400,000 at the end of 2015, and the trend has been rising. With regard to the motivation of the investors, the authors found that almost 70 percent of the surveyed investors were either hedgers (24.4 percent) or strategic hedgers (44.2 percent). Hedgers pursue the objective of avoiding high losses. They own the underlying and use the leverage product with negative leverage to hedge. Strategic hedgers use leverage products with positive leverage for long-term investment.

Together with the Stuttgart Stock Exchange and Deutsche Schutzvereinigung für Wertpapierbesitz (DSW), the DDV presented an expert opinion by Prof. Dr Klaus-Dieter Drüen of Ludwig Maximilian University of Munich. One finding of the opinion was that, due to their method of settlement – concurrent payment – these securities differ from forward contracts, which are settled at a later, fixed point in time. The opinion also lists pragmatic reasons why the long-established differentiation between forward and spot contracts, as applied in securities, civil, and banking law, should also be applied in tax law. These are good reasons why Warrants should not be treated as forward contracts and thus should not be subject to limited loss offsetting.

An analysis conducted by Derivatives Data Service GmbH on behalf of the DDV shows the extent to which hedging securities portfolios would incur a tax burden in the event that Warrants were to fall under the limited tax loss offsetting rules for forward contracts. The analysis used the example of a DAX-based investment from 1987 to 2020, hedged each year with a Warrant, generating a tax burden of 123,000 euros under the old tax rules. If the limited tax loss offset on Warrants were to apply through this period, the taxes would add up to 290,000 euros – more than double the original amount. The DDV is therefore advocating that the position taken by the German Federal Ministry of Finance in the draft letter of implementation of June 2020 be maintained. This will prevent investors from being impaired in their securities account design and also having to make costly individual investments. Otherwise, there is a risk of severe tax disadvantages, retrospective tax payments, and uncertainty for hundreds of thousands of investors. A securities culture with active and responsible investors also requires an adequate tax framework. The asymmetric taxation is already the subject of intense criticism – it should not be extended under any circumstances.

Annekatrin Kutzbach
Legal Counsel
Legal and Regulatory Affairs

Treating new and established forms of securities equally

DIGITISATION OF SECURITIES LAW

German securities law is facing change. Dematerialisation – the move away from paper to digital certificates – as has been happening for some time in other European jurisdictions, will also continue in Germany. This will give a huge boost to the digitisation of the German capital market and fundamentally modernise existing securities law. This is important, especially as corresponding initiatives are also being driven forward at the European level, such as the European Commission's digital finance package. This includes an overarching digital finance strategy for the European Union, another strategy paper for payments, and two legislative proposals on the topics of crypto-assets and digital resilience.

In August last year, the German Federal Ministry of Finance (Bundesministerium der Finanzen, BMF) and the German Federal Ministry of Justice and Consumer Protection (Bundesministerium der Justiz und für Verbraucherschutz, BMJV) published a draft bill on the introduction of electronic securities (Gesetz über elektronische Wertpapiere, eWpG). The draft provided for opening up German law to electronic securities and promoting technology-neutral regulation. In particular, the draft provided for a departure from the mandatory requirement under German law for paper-based certificates. The government draft of the eWpG followed in December 2020 – with some minor changes.

At the DDV, we support this development of securities law and have positioned ourselves accordingly in two detailed commentaries. The elimination of the need for physical certificates through the use of a central electronic securities register (dematerialisation) to complement traditional methods of issuing securities, and the planned technology-neutral reform of the law governing debt securities are important steps towards adapting German securities law to new realities and technologies. Nevertheless, there are some significant points of criticism of the drafts. The most important concerns the publication of terms and conditions of security issuances, which have to be made available to "everyone". This goes beyond the publication requirements in current securities law, such as the EU Prospectus Regulation. Nevertheless, the draft legislation is to be welcomed in principle, because of the positive effect it will have on the German capital market and Germany as a financial centre.

The members of the DDV are actively discussing this topic. The Digital Capital Market Structures project group has been created, and a meeting was held in January with Linklaters and White & Case, in which both the eWpG and the European Commission's digital finance package were discussed.

Annekatrin Kutzbach
Legal Counsel
Legal and Regulatory Affairs

“Most investors use Knock-Out Products and Warrants as hedging instruments”

WHU STUDY

At the DDV, we are often asked which investors actually use Knock-Out Products and Warrants, and what their motivation is. Such information is important. For example, it feeds into the discussion about an appropriate tax framework for leverage products – as discussed in the article “Tax Loss Offsetting” on page 20. In response, the DDV has sponsored an academic study looking into this question. It was conducted in cooperation with Prof. Dr Lutz Johanning (WHU – Otto Beisheim School of Management), Prof. Dr Steffen Meyer (University of Southern Denmark & Danish Finance Institute), and Kim Bövers (doctoral student at Leibnitz University Hannover), and was presented in March 2020.

The authors of the study show that 68.6 percent of investors use Knock-Out Products and Warrants to hedge existing portfolios or planned investments. Only one third choose these instrument to take advantage of their expectations regarding the price movements of the underlying assets. The respondents were divided into three categories according to their trading motives: the hedgers (around 24.4 percent of the retail investors surveyed), who aim to prevent high losses and use Knock-Out Products and Warrants as hedging instruments; the strategic hedgers (44.2 percent), who tend to use products as longer-term investments, benefit from the leverage of the products, and hedge against financial risk; and the speculators (31.4 percent), who seek to profit from short-term market movements.

“The new tax treatment of total losses on forward contracts would significantly limit or completely eliminate their use for hedging existing portfolios as well for strategic hedging,” said Prof. Dr Johanning at the presentation of the study in March 2020.

Knock-Out Products and Warrants are frequently traded, but account for only three percent of open interest in structured products

Knock-Out Products and Warrants – also known as Leveraged Structured Financial Products (LSFPs) – account for more than half of the overall turnover in retail structured financial products (SFPs). At the same time, LSFPs represented only three percent of the total open interest in structured financial products in Germany (totalling 64 billion euros) as at the end of March 2018. Whereas LSFPs are rather short-term investment vehicles, investment structured financial products (ISFPs) are long-term investment products with the main feature that the product risk is significantly lower than the underlying risk. Examples of these include Discount Certificates and Reverse Convertibles. ISFPs account for 97 percent of total open interest.

Negative returns were particularly common with hedgers (if the returns on the hedged asset are excluded)

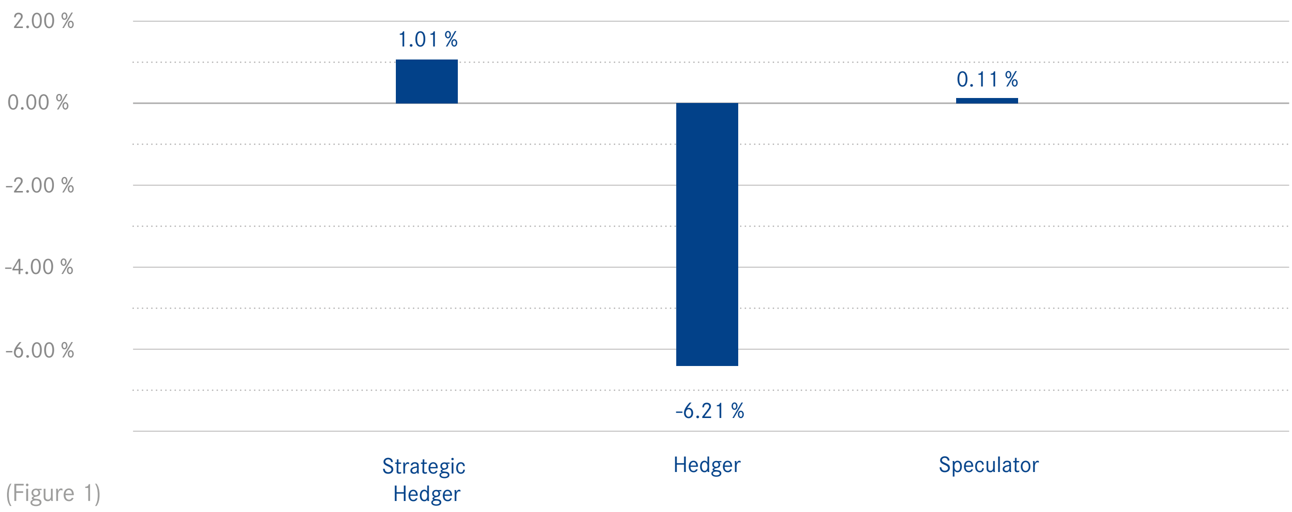
Between 2000 and 2015, the sample of 60,986 investors had an average portfolio value of 47,035 euros, and conducted an average of 474 trades (particularly in individual stocks, funds, and SFPs). Some 22,077 of these investors used LSFPs at least once between 2000 and 2015. A total of 91 percent of these LSFP users were male; for non-users the percentage was only 80 percent. LSFP users had a portfolio value that was, on average, 25 percent larger than the portfolio value of non-users. They were much less risk averse (risk class 4.57 compared to 2.96 for non-users), and traded four times as much in all products (SFPs, stocks, and funds) as non-users between 2000 and 2015. These results show that LSFP users are, in principle, aware of product features and characteristics, are experienced in terms of trading activity, and use these products deliberately. The trading motives demonstrated large differences with respect to:

- the risk classes: speculators were less risk averse on average;
- the portfolio diversification: speculators had the least diverse portfolios;
- the portfolio value: speculators had the lowest portfolio value; and
- the number of trades in all products: speculators traded significantly more than the strategic hedgers and hedgers on average.

The 22,077 LSFP users generated more than 17 million trades (including knock-outs). While the average LSFP round-trip return (the difference between the price of purchase and sale for a trade) was -0.79 percent, the median round-trip return was 1.97 percent, which implied that more than 50 percent of all trades had significant positive returns. The round-trip returns of LSFP users were strongly dependent on the different trading motives. Hedgers had a negative return of -6.21 percent on average. Note that this was only the return of LSFPs and did not include the return of the hedged asset. Strategic hedgers had a positive round-trip return averaging 1.01 percent, and speculators a positive round-trip return averaging 0.11 percent (see Figure 1).

The results of the study show that it is not meaningful to assess LSFPs by solely looking at average performance. Instead, it is necessary to distinguish trading motives and their performance. This applies to trading motives in general and to hedging in particular. Since LSFP investors are, in principle, aware of product features and characteristics, and are experienced, educational work might quickly lead to even better applications of LSFPs, especially for hedging purposes.

Note: the presented figures are the LSFPs' mean returns only and do not include the returns of the hedged assets.



(Figure 1)

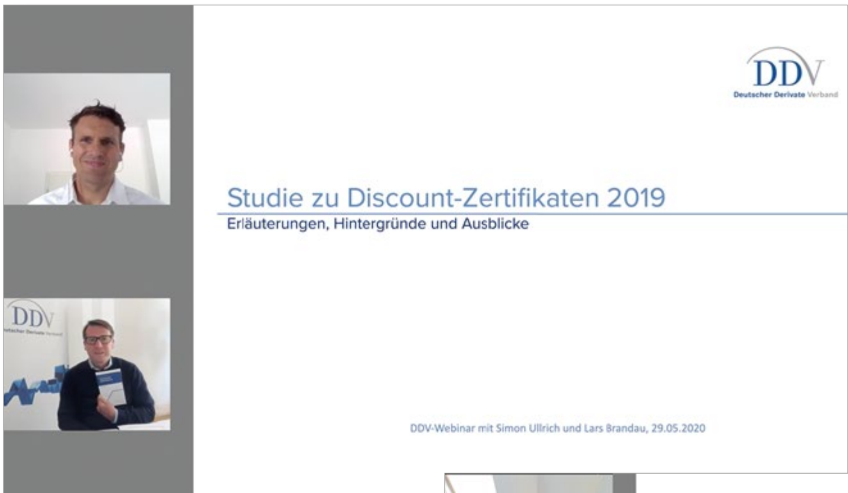
Source: DDV

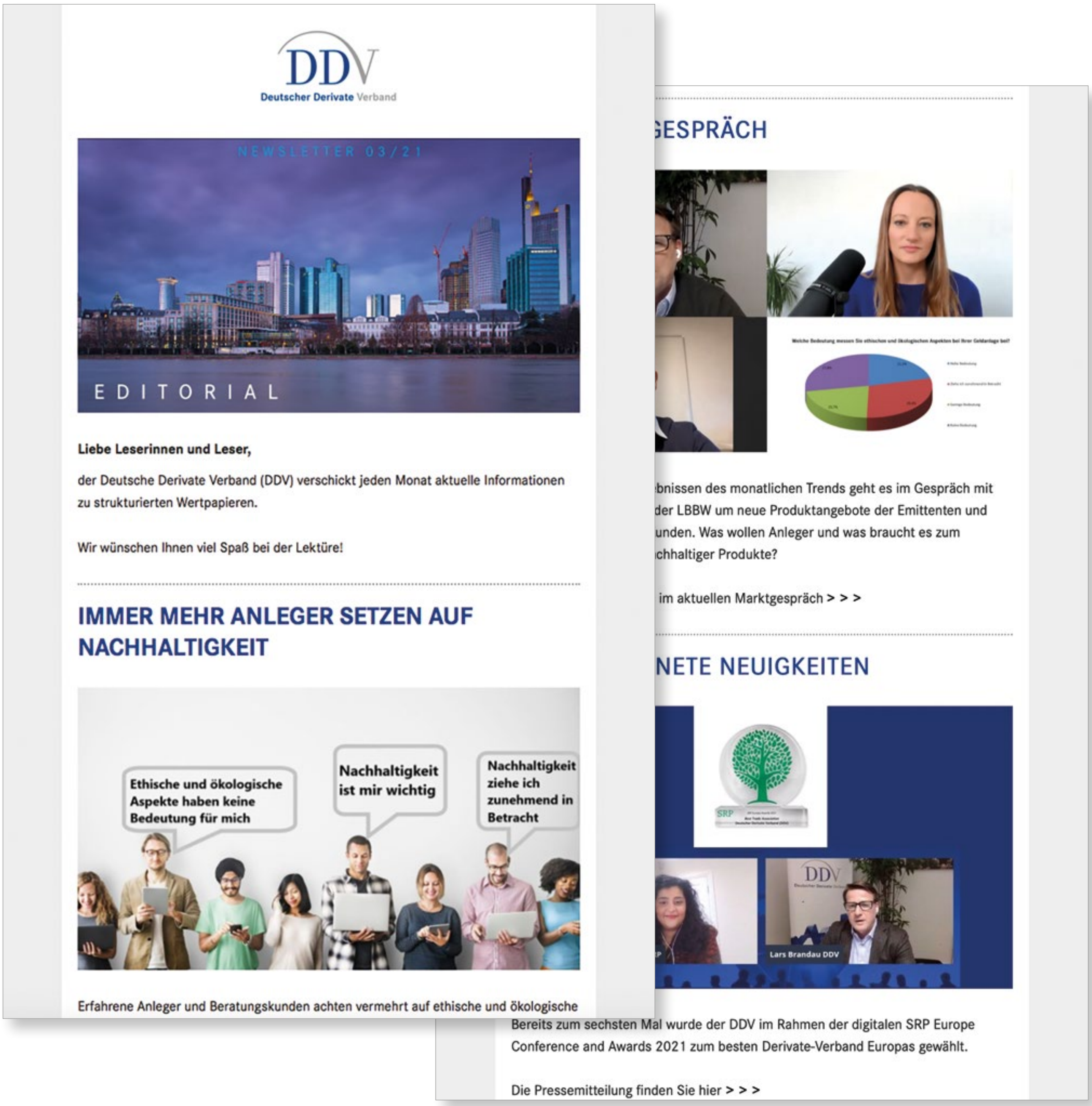
The DDV expands its industry services

The exchange with investors and stakeholders from industry and politics is particularly important to the DDV – as the industry representative body for the leading issuers of structured products in Germany, the association functions as a forum for different perspectives to meet. Although this was nigh impossible to do in person in 2020, the association has made the best of the circumstances and expanded its online services.

For example, the DDV used the publication of a new study on Express Certificates as an occasion to hold a webinar with the authors Mark Seeber (Infront Quant AG) and Prof. Dr Lutz Johanning (WHU – Otto Beisheim School of Management).

Webinars like these represent one of the DDV's central interests: providing investors with financial education and information in order to broaden the understanding of structured products, their opportunities and risks, and their importance for investors. Structured products are often challenging – but those who have learned how they work can use them purposefully and profitably. The clear majority of retail investors advocate for more financial education, as a DDV survey showed: around 61 percent of respondents were in favour of more information and educational services relating to financial investments. With the recently developed DDV online training, the association has now taken a new conceptual approach. The digital, stand-alone platform imparts knowledge about investment and leverage products. The target group is retail investors who want to expand or deepen their knowledge. The programme includes a lot of important information about the individual product categories, their characteristics, how they are bought and sold, and what opportunities and risks they present. Each lesson includes films that convey the complex material comprehensibly. Successful users receive a personalised certificate of participation in the training course at its end. For the first time, interested issuers can also offer this training service to their customers using their own corporate design. This represent a giant step towards as many competent and knowledgeable investors as possible – and those who want to become so. "We see a sustained trend in favour of capital market products. Structured products are a sensible addition to a





portfolio – but you have to know how to use them," says Managing Director Lars Brandau, summarising the association's concerns.

In its monthly newsletter *Märkte und Produkte* (Markets and Products), the DDV provides information about the industry as well as trends and market developments. The *DDV im Gespräch* (In conversation with the DDV) section presents interviews with industry representatives, most recently with Michael Bußhaus from justTRADE and Hendrik Leber, founder of the asset manager ACATIS. In a further series of interviews with active traders and market experts, we ask about trading strategies and lessons learned.

The new online services are in high demand, and will take their own place alongside the face-to-face services.

Lars Brandau
Managing Director

The DDV Business Journalism Awards

GOING THE EXTRA MILE FOR QUALITY REPORTING

Financial reporting represents one of the highest forms of journalism. Writing credibly about investments or financial markets requires delving deeply into the subject matter, experience, and a broad perspective. The promotion of quality journalism is particularly important in this context. With awards in six categories, the DDV aims to encourage journalists to tackle complex economic and financial topics and present them in comprehensible manner – both for investors who want to learn and for the general public. The DDV's commitment has staying power – last year, the DDV awards for business journalists were presented for the 13th time.

An article about Facebook's Libra project caught people's attention. Niklas Wirminghaus, editor at *Capital* business magazine, researched the digital company's plans to create a new global currency for his background piece *"Geldherrschaft"* ("Monetary supremacy"). His article won the award in the "General Economic and Financial Policy" category.

Robert Landgraf, chief correspondent at *Handelsblatt,* received the "Journalist of the Year" award. In an interview with Lars Brandau, he described retirement planning as one of the most important topics in reporting. He noted that, compared with the effort people put into buying a car, for example, still too little attention is paid to private wealth accumulation.

In order to address this, the DDV presents an award every year for the best reporting on retirement planning. In 2020, the jury chose Friedhelm Tilgen from ntv. His cross-media format *ntv-Altersvorsorge* consists of a weekly television interview and an Internet platform where topics are covered in depth. In *"Was tun mit 30.000 Euro?"* ("What to do with 30,000 euros?"), Christoph Platt, editor at *Euro am Sonntag,* also provides tips

Winner in the "General Economic and Financial Policy" category: Niklas Wirminghaus

Awards ceremony at the Frankfurt Stock Exchange: Friedhelm Tilgen (ntv, winner in the "Retirement Planning" category) and Lars Brandau (DDV) for building wealth. The jury presented him the award in the “Financial Investments” category. His starting point was the question of what investors can do if, for example, a fixed-term deposit matures. For this case, he created portfolios for four different risk classes. In an interview with Lars Brandau, Platt reported that, after the price crash in the spring, all portfolios had recovered, generating returns of over nine percent. Gian Hessami won the “Structured Products” category. The freelance journalist has been writing about structured products since 2006 – his explanatory piece won over the jury: “Anyone who invests in securities will sooner or later come across structured products,” said Lars Brandau. This is why he considers texts like Hessami’s to be so important. In *“Alte Schätze finden”* (“Finding old treasures”), Hessami writes comprehensibly and accurately about used Express Certificates *(gebrauchte Express-Zertifikate)*. Advanced investors would appreciate the work of Gian Hessami.

In 2020, the Special Jury Award went to Ralf Andreß, editor at the trade journal *Der Zertifikateberater.* After having received five awards to date, he is now leaving the field of candidates and becoming a member of the jury.

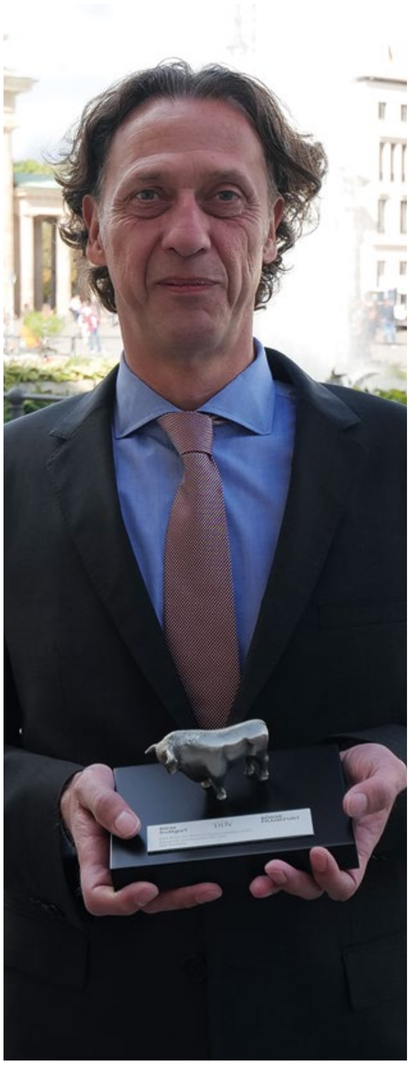
For the DDV business journalism awards, the DDV was able to count on the close cooperation of the Stuttgart and Frankfurt stock exchanges, where almost all structured products in Germany are traded.

Because the awards ceremony on the eve of the INVEST investor fair had to be cancelled, the DDV hit the road. Managing Director Lars Brandau visited the journalists in Berlin and Frankfurt.

Gian Hessami with his award in the “Structured Products” category

Christoph Platt was awarded first place in the “Financial Investments” category

The 2020 award for Journalist of the Year went to Robert Landgraf (Handelsblatt)



Journalist Ralf Andreß received the Special Jury Award

The structured products market in 2020

FACTS AND FIGURES

A sharp drop in share prices shook the stock markets in the spring of 2020. However, many structured products dampened volatility and secured returns in a challenging market environment. The more people invest in securities, the more the question arises as to whether they have ever considered structured products. Financial education therefore remains important.

Securities culture is experiencing a tailwind. More and more people are investing in capital market products. The number of shares traded jumped from 1,415 billion to 1,933 billion last year according to an analysis by the German government. In addition, the number of securities accounts has been rising steadily for four years, and now tops 25 million according to the German central bank. A trend that began with the financial crisis is thus undergoing a long-term reversal. Following the collapse in share prices in 2008, the number of securities accounts fell from 29 million to 22 million – one in five securities accounts disappeared. The governing body of the Basel Committee, comprising central bank governors and heads of financial supervision, recently declared that the international process of dealing with the financial crisis in the area of banking regulation is now complete. Securities culture in Germany is also gradually recovering – which should also further boost the structured products market in the medium term.

Young investors in particular are bringing life to securities markets. Almost 600,000 young adults ventured onto stock markets for the first time in 2020, an increase of almost 70 percent. In a study, the direct banks comdirect, ING-DiBa, and Consorsbank investigated how Germans feel about equities. More than half of the respondents already had some experience with investing in equities. However, the survey also showed that there is still a considerable need for financial education. Losing money, the fear of buying the wrong shares, and a lack of time are reasons why potential investors ultimately decide against buying securities.

Investors opened up around 1.5 million new securities accounts with online brokers in 2020. Young investors and very active traders were particularly likely to take advantage of these online services. The management consultancy Oliver Wyman expects that around eight million securities accounts – a third of the total market – will be held at online banks or branch banks with an online focus. Consorsbank, comdirect, ING-DiBa, and flatex account for an estimated three-quarters of non-advised securities transactions.

Long-term strategies pay off

In the turbulent market environment of the past year, many investors kept their nerve. Some 78 percent of the respondents to a DDV survey achieved profits – the absolute majority even made returns exceeding six percent. One reason for the surprisingly high profits – more than half of the respondents believed in the long-term recovery of the market and took advantage of the low prices in spring to buy up. In another DDV survey, more than 63 percent of buyers of structured products said they were pursuing a medium- to long-term investment horizon. Investors who kept their cool were proven correct in crisis-ridden 2020 – the “coronavirus crash” was the shortest bear market ever. Although the DAX lost 40 percent of its value within four weeks, it climbed back to pre-crisis levels by the end of the year. Few expected this. After the price collapse in March and in the autumn, only 20 percent of investors predicted that the DAX would recover in the same year. The vast majority

Source: DDV

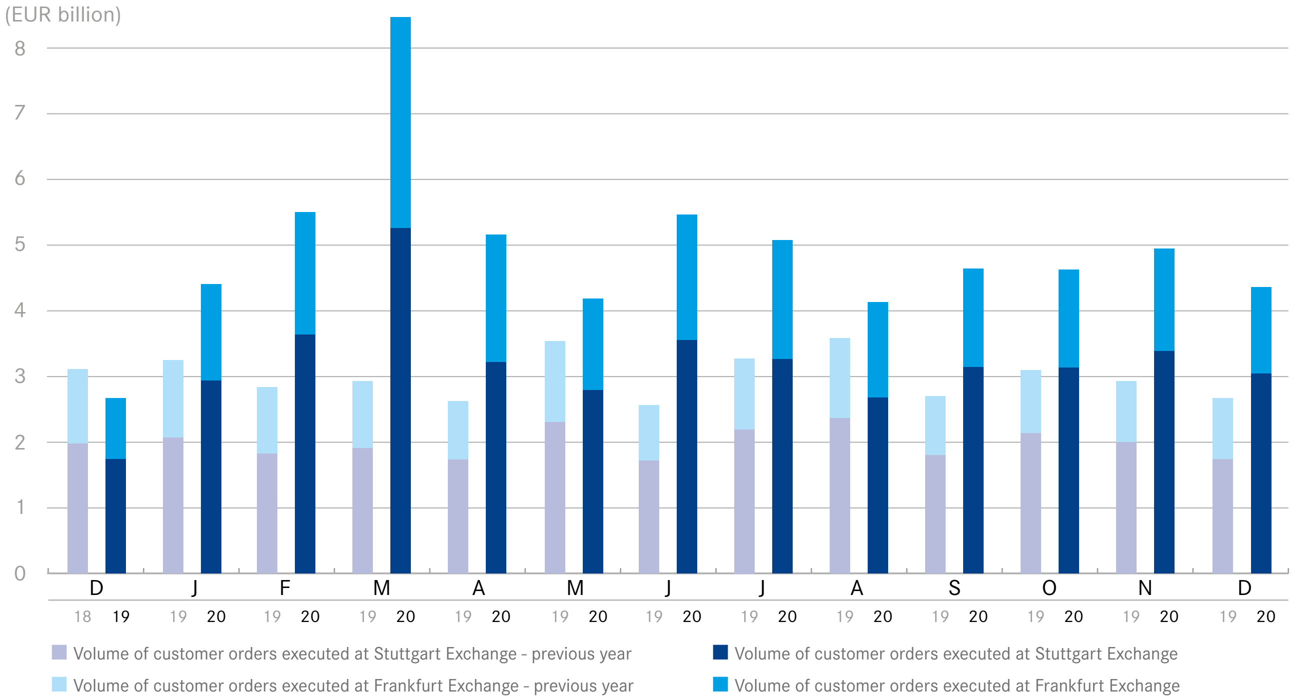
assumed that the bear market would continue – but optimism was to return sooner than expected.

Products enable individual investment strategies

Dealing with structured products requires education, but it is precisely in a challenging market environment such as that in 2020 that they come into their own. Stock exchange turnover in Stuttgart and Frankfurt rose to 61 billion euros in the year of the pandemic, almost 70 percent above the previous year's level. The total volume of the structured products market was almost stable at 70.7 billion euros at the end of the year, despite the sharp slump in the spring.

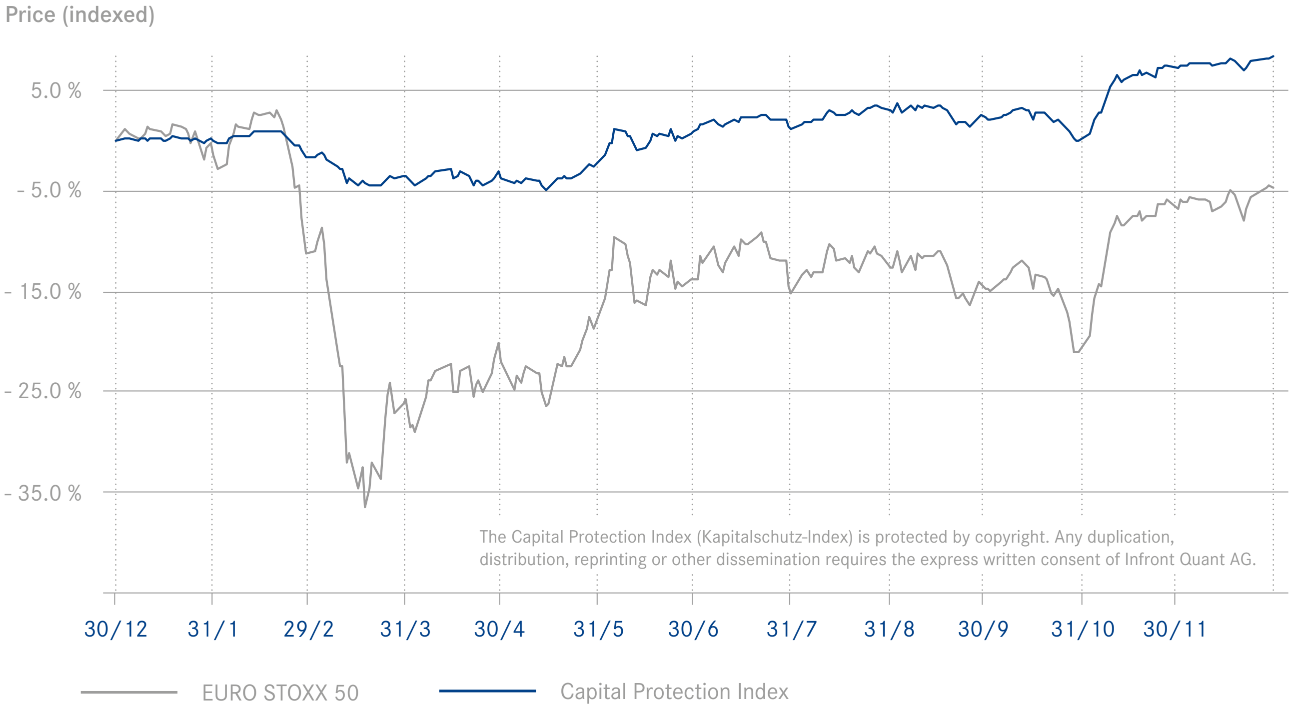
Exchange turnover during the course of the year

Month	Total		Stuttgart Exchange		Frankfurt Exchange	
	€ '000	Number of orders	€ '000	Number of orders	€ '000	Number of orders
December 2019	2,693,714	381,611	1,753,094	229,209	940,621	152,402
January 2020	4,437,980	681,076	2,955,496	412,114	1,482,485	268,962
February 2020	5,546,838	823,841	3,660,026	498,531	1,886,813	325,310
March 2020	8,491,148	1,223,674	5,269,646	707,421	3,221,502	516,253
April 2020	5,178,794	848,852	3,227,635	492,100	1,951,159	356,752
May 2020	4,303,953	768,732	2,866,481	481,883	1,437,472	286,849
June 2020	5,448,962	898,069	3,539,944	564,065	1,909,018	334,004
July 2020	5,071,937	831,760	3,259,034	520,823	1,812,903	310,937
August 2020	4,149,095	724,770	2,684,029	460,133	1,465,067	264,637
September 2020	4,663,559	870,716	3,150,911	563,182	1,512,648	307,534
October 2020	4,659,337	870,341	3,151,234	571,362	1,508,103	298,979
November 2020	4,967,233	899,552	3,397,886	584,581	1,569,347	314,971
December 2020	4,369,317	799,175	3,046,505	513,763	1,322,812	285,412



Source: DDV

Development of the Capital Protection Index (2020)



Products with capital protection were in demand in 2020, attracting more than 30 percent of the capital invested. With these products, the issuer guarantees to repay the investor at least the nominal value. This market share suggests that a significant proportion of retail investors are focused on capital preservation and prioritise security over returns.

The Capital Protection Index, an index commissioned by the DDV, shows that products with capital protection were better able to successfully cushion the price drop in the spring than the EURO STOXX 50, the leading index in the Eurozone. Over the year, the difference in return was a remarkable 13 percentage points: while the EURO STOXX 50 experienced a loss of 4.72 percent between January and December 2020, products with capital protection delivered an average return of 8.34 percent over the same period. In addition, products with capital protection experienced far less volatility (3.28 percent) than the EURO STOXX 50 (22.68 percent).

Turbulent market drives interest in security

Yield-oriented products such as Express Certificates also proved their worth in the year of the pandemic. Buyers of Express Certificates aim to achieve a predefined return with a high degree of probability. If the price of the underlying asset is above the starting price after specific intervals, the investor receives the nominal value and a predefined additional amount back. The market share of these products recently rose to more than 30 percent.

Source: DDV

Market volume of structured products in December 2020

Product category	Market volume		Market volume price-adjusted		Number of products	
	€ '000	in %	€ '000	in %	#	in %
Uncapped Capital Protection Certificates	3,715,232	6.1	3,705,156	6.1	1,083	0.3
Capital Protection Products with Coupon	20,025,791	33.0	19,991,822	33.2	5,145	1.3
Credit-Linked Notes	2,481,976	4.1	2,482,536	4.1	2,406	0.6
Reverse Convertibles	6,266,757	10.3	6,244,994	10.4	90,786	23.7
Discount Certificates	2,960,180	4.9	2,948,240	4.9	135,356	35.3
Express Certificates	19,026,428	31.3	18,905,837	31.4	16,818	4.4
Bonus Certificates	1,465,557	2.4	1,465,719	2.4	127,784	33.4
Tracker Certificates	2,825,071	4.7	2,623,224	4.4	1,251	0.3
Outperformance Certificates / Capped Outperformance	17,597	0.0	17,332	0.0	899	0.2
Other Yield Enhancement Products	1,931,141	3.2	1,914,609	3.2	1,563	0.4
Total investment products	**60,715,729**	**94.0**	**60,299,468**	**94.4**	**383,091**	**26.2**
Warrants	1,978,962	51.2	1,829,219	50.8	500,948	46.4
Constant Leverage Certificates	477,603	12.3	450,970	12.5	44,867	4.2
Knock-Out Warrants	1,411,737	36.5	1,317,121	36.6	533,666	49.4
Total leverage products	**3,868,302**	**6.0**	**3,597,310**	**5.6**	**1,079,481**	**73.8**
Total products	**64,584,031**	**100.0**	**63,896,778**	**100.0**	**1,462,572**	**100.0**

Exchange turnover by product category in December 2020

Product category	Volume	Change on previous month	Share	Number of orders	Change on previous year	Share	Volume per order	Change on previous month
	€ '000	in %	in %	#	in %	in %	€	in %
Uncapped Capital Protection Certificates	5,707	-50.1	0.1	370	-27.3	0.0	15,423	-31.4
Capital Protection Products with Coupon	3,234	-58.4	0.1	123	89.2	0.0	26,289	-78.0
Credit-Linked Notes	6,563	-4.4	0.2	294	-2.6	0.0	22,324	-1.8
Reverse Convertibles	99,422	4.5	2.3	4,904	2.4	0.6	20,274	2.0
Discount Certificates	523,590	-14.7	12.0	8,410	-19.7	1.1	62,258	6.2
Express Certificates	117,628	-7.7	2.7	7,519	-7.5	0.9	15,644	-0.2
Bonus Certificates	208,608	-13.4	4.8	6,835	-20.8	0.9	30,521	9.3
Tracker Certificates	274,071	-3.1	6.3	35,020	-0.7	4.4	7,826	-2.4
Outperformance Certificates / Capped Outperformance	4,176	166.3	0.1	25	-50.5	0.0	167,026	432.6
Total investment products	**1,242,998**	**-10.5**	**28.4**	**63,500**	**-6.9**	**7.9**	**19,575**	**-3.8**
Warrants	945,932	-20.5	21.6	241,985	-19.5	30.3	3,909	-1.2
Constant Leverage Certificates	358,894	1.0	8.2	79,784	-4.6	10.0	4,498	5.8
Knock-Out Warrants	1,821,493	-10.4	41.7	413,906	-7.4	51.8	4,401	-3.2
Total leverage products	**3,126,319**	**-12.6**	**71.6**	**735,675**	**-11.5**	**92.1**	**4,250**	**-1.3**
Total	**4,369,317**	**-12.0**	**100.0**	**799,175**	**-11.2**	**100.0**	**5,467**	**-1.0**

Source: DDV

A WHU – Otto Beisheim School of Management study led by Prof. Dr Lutz Johanning examined the performance of four Express Certificates of different risk classes between February 2019 and March 2020. For all products examined, the probability of achieving the return target was between 80 and 99 percent. In addition, the authors contrasted the price developments of the Express Certificates with comparable investments. The more security-oriented product even generated a slight return during the price slump. With two other products, the price losses were clearly more moderate than the reference investments. Only in the case of one product did the price fall below the barrier, which is why it was terminated and redeemed early. Express Certificates thus largely fulfilled their purpose in a turbulent market environment.

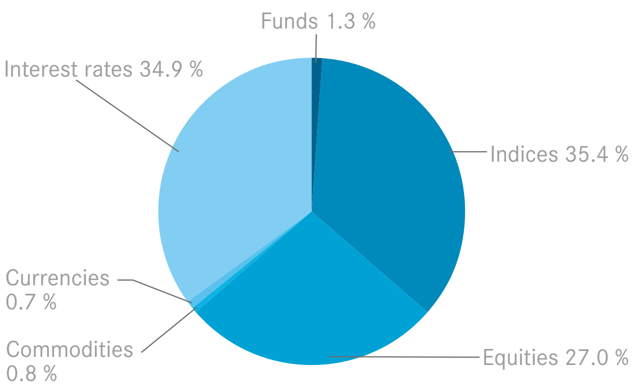
The market volume of leverage products grew by around 64 percent in last year's volatile market environment, and now accounts for almost six percent of the total market volume of structured products. Stock exchange turnover of leverage products rose by 123 percent to 44.6 billion euros. One possible reason for this is that investors hedged securities portfolios against adverse price movements, as a study by the WHU suggests. According to the study, two-thirds of investors use leverage products to protect against price risks. Leverage products can also give rise to profits in the event of varying price developments and thus compensate for possible portfolio losses.

Competition between issuers promotes product diversity

The product diversity in the industry is remarkable. At the end of the year, issuers offered 416,000 investment products and 1,113,000 leverage products, including the first sustainable structured products. Landesbank Baden-Württemberg (LBBW), for example, set new standards for green investment options in the retail segment with its Stufenzins-Anleihe Nachhaltigkeit product, which is based on a green bond.

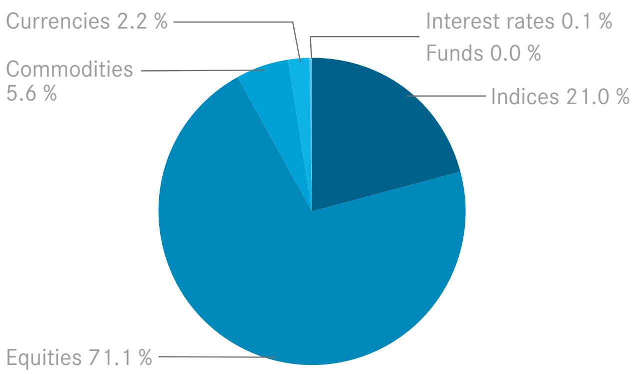
Investment products by underlying

Market volume as at 31 January 2021



Leverage products by underlying

Market volume as at 31 January 2021



A DDV survey of issuers shows that this is just the beginning. According to the survey, two-thirds of the institutions surveyed are planning to launch more sustainable products in 2021. The future supply is matched by high potential demand, as indicated by the DDV trends survey in March 2021. Around half of the respondents are open to taking environmental and ethical aspects into consideration in investment decisions. To help the industry meet the growing demand, the DDV is supporting the plan to develop common standards for sustainable structure products. The market for structured products is highly competitive. Investors benefit from innovative products and attractive conditions due to competition between issuers. In a DDV survey, investors indicated that the tradability of the products and the creditworthiness of the issuers were key criteria when choosing between comparable structured products.

Source: DDV

Investment products

Market share by market volume

Issuer	12/2020		09/2020		Difference	
DekaBank	15,136,036,999	24.93 %	14,514,213,494	24.52 %	621,823,505	0.41 %
DZ BANK	11,701,105,027	29.27 %	11,404,315,293	19.27 %	296,789,733	0.00 %
LBBW	8,429,231,301	13.88 %	8,051,524,280	13.60 %	377,707,021	0.28 %
Helaba	7,265,690,565	11.97 %	7,090,316,522	11.98 %	175,374,044	-0.01 %
HypoVereinsbank	4,457,907,385	7.34 %	4,216,861,372	7.12 %	241,046,012	0.22 %
Deutsche Bank	2,966,326,779	4.89 %	3,109,839,675	5.25 %	-143,512,896	-0.37 %
BayernLB	2,737,760,836	4.51 %	2,826,348,498	4.77 %	-88,587,662	-0.27 %
Société Générale	2,315,845,098	3.81 %	2,465,184,503	4.16 %	-149,339,405	-0.35 %
Vontobel	1,628,665,769	2.68 %	1,365,740,303	2.31 %	262,925,467	0.38 %
BNP Paribas	1,567,077,060	2.58 %	1,693,978,928	2.86 %	-126,901,868	-0.28 %
UBS	955,291,765	1.57 %	782,195,406	1.32 %	173,096,360	0.25 %
HSBC Trinkaus	715,819,150	1.18 %	798,416,730	1.35 %	-82,597,580	-0.17 %
Goldman Sachs	549,307,435	0.90 %	577,770,099	0.98 %	-28,462,664	-0.07 %
Citigroup	194,951,627	0.32 %	172,703,289	0.29 %	22,248,338	0.03 %
JP Morgan	55,648,301	0.09 %	42,457,604	0.07 %	13,190,697	0.02 %
Morgan Stanley	39,064,399	0.06 %	78,787,067	0.13 %	-39,722,668	-0.07 %

Leverage products

Market share by market volume

Issuer	12/2020		09/2020		Difference	
Morgan Stanley	896,023,235	23.16 %	720,356,387	23.16 %	175,666,849	0.00 %
Société Générale	569,741,092	14.73 %	487,149,163	15.66 %	82,591,929	-0.93 %
HSBC Trinkaus	540,752,328	13.98 %	368,910,831	11.86 %	171,841,496	2.12 %
Citigroup	412,731,005	10.67 %	354,315,979	11.39 %	58,415,026	-0.72 %
BNP Paribas	283,165,596	7.32 %	245,314,959	7.89 %	37,850,637	-0.57 %
Vontobel	278,546,974	7.20 %	203,446,900	6.54 %	75,100,075	0.66 %
UBS	222,330,447	5.75 %	150,544,445	4.84 %	71,786,001	0.91 %
Goldman Sachs	208,639,986	5.39 %	169,608,162	5.45 %	39,031,823	-0.06 %
DZ BANK	172,760,486	4.47 %	142,476,614	4.58 %	30,283,872	0.11 %
HypoVereinsbank	154,256,302	3.99 %	156,791,046	5.04 %	-2,534,745	-1.05 %
JP Morgan	104,182,692	2.69 %	73,191,545	2.35 %	30,991,147	0.34 %
Deutsche Bank	25,171,751	0.65 %	38,397,59	1.23 %	-13,225,843	-0.58 %

Similar to last year, DekaBank, DZ BANK, LBBW and Helaba accounted for 66 percent of the market share. The four institutions, which belong to both of Germany's major financial networks, continue to dominate in the area of investment products. However, there were shifts in the leverage products segment – here, Morgan Stanley increased its share from 16 to 24 percent and established itself as the market leader. Société Générale more than doubled its share to 15 percent, becoming the second-largest provider of leverage products. Structured products are versatile and have proven their worth, but trading with them requires experience and product knowledge. The many young investors who traded in securities for the first time last year may one day also come across structured products. Despite all the risks, this also opens up opportunities for sustainable investments and long-term investment strategies that focus on security. Financial education and investor protection should aim to promote independent decision making so that the younger generation learns to use structured products for their own benefit.

Source: DDV

The DDV

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is Head of Public Distribution in the Corporates and Investment Banking division of UniCredit Bank AG. He is responsible for the public distribution of certificates and warrants in Germany and Austria.

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is head of the Equity Markets business at LBBW and is responsible for trading, risk control for equities and equity derivatives, and product management.

Klaus Oppermann

is Head of Public Distribution in Europe at Société Générale S.A., and directly supervises the public distribution of listed products in Germany and Austria.

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is Head of Structured Products in Germany and Austria at Citigroup Global Markets Europe AG. She is responsible for the distribution of Retail Structured Products in Germany and Austria.

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is CEO and Member of the Board of Directors at the DDV. The holder of a Doctorate in Law has a strong network of contacts within the banking industry as well as the political and regulatory communities in Berlin and Brussels.

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