

Wien. 16. April 2008

Structured Products - A fast growing Market for Exchanges?

Karl Brauneis,
Head of Markets & Products, Wiener Börse AG

wiener  borse.at





Broad Range of Products offered by the Industry

certificates

warrants

exchange traded
commodities (ETCs)

investment funds

exchange traded
funds (ETFs)

contracts for
difference (CFDs)

credit products
(ABS, CDOs,...)

investment trusts

performance
linked bonds

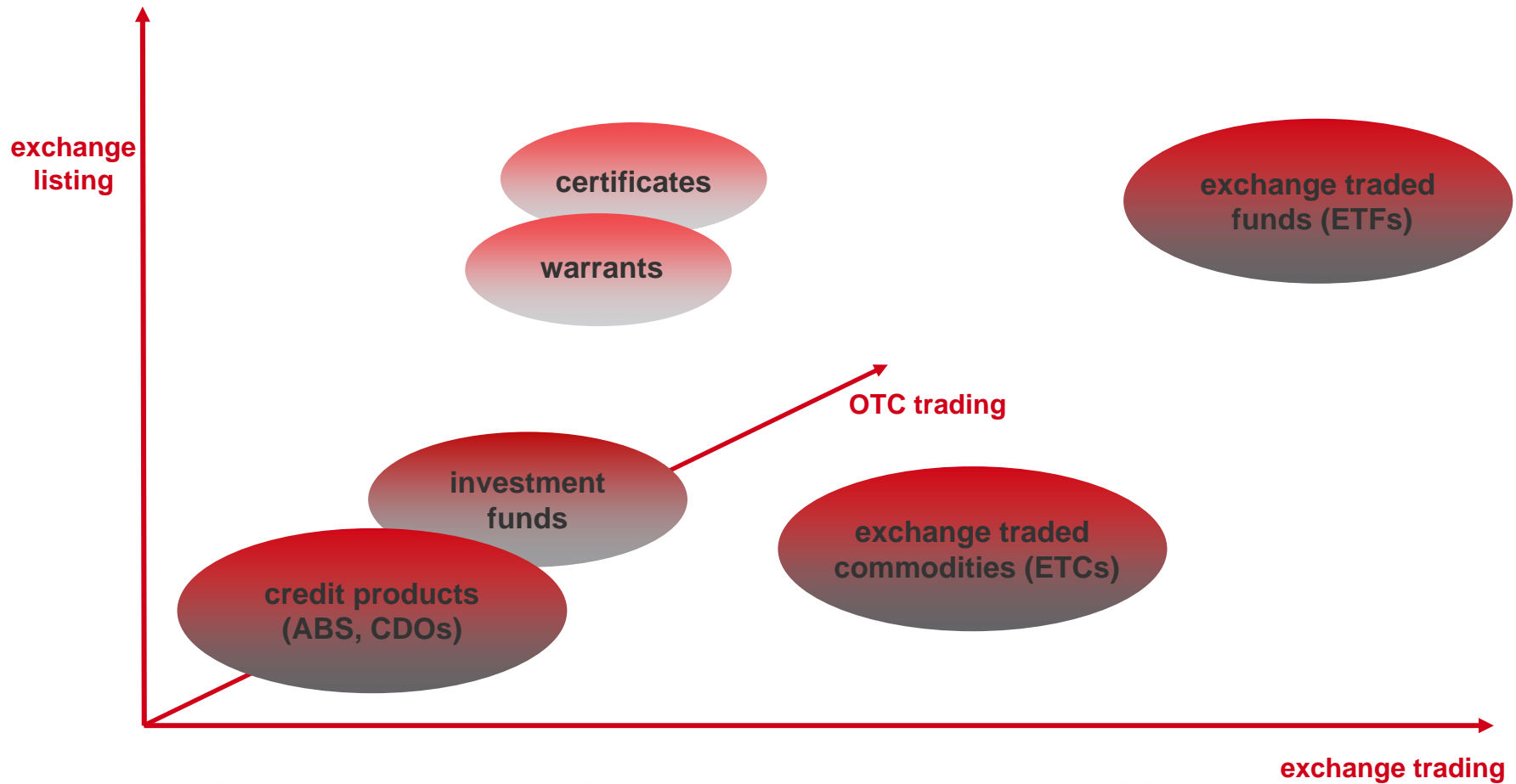
hedge funds

HOLDRs

structured interest
rate products



Exchange Listing / Trading vs. OTC - Trading



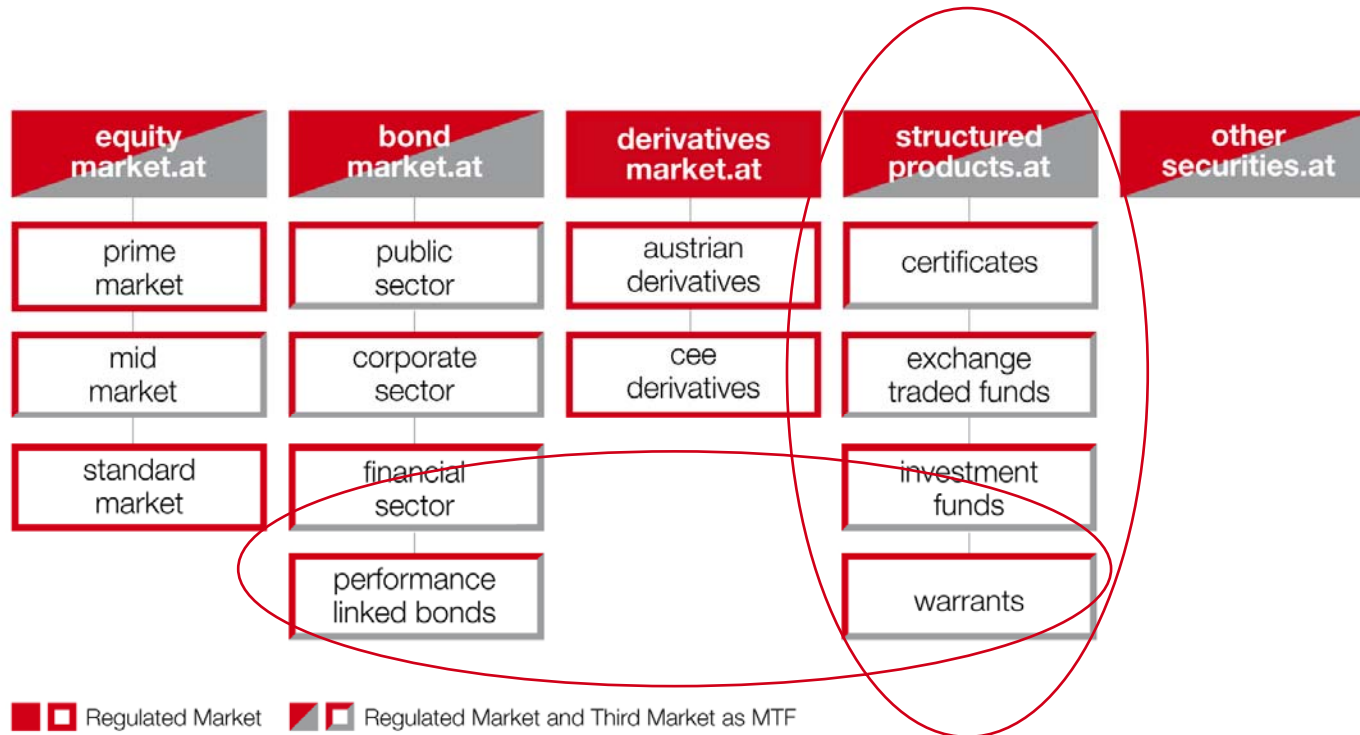


Variety of Products to fit the Client Needs

- caused by the great demand of clients the range of products has grown dramatically
- products are offered for each
 - risk class
 - market scenario
 - asset class (equities, indices, bonds, commodities, etc.)
 - underlying



Market Segmentation of Wiener Börse AG





Exchange Traded Funds



- listed on exchanges (often in an own market segment)
- trading and clearing within exchange systems (straight through processing)



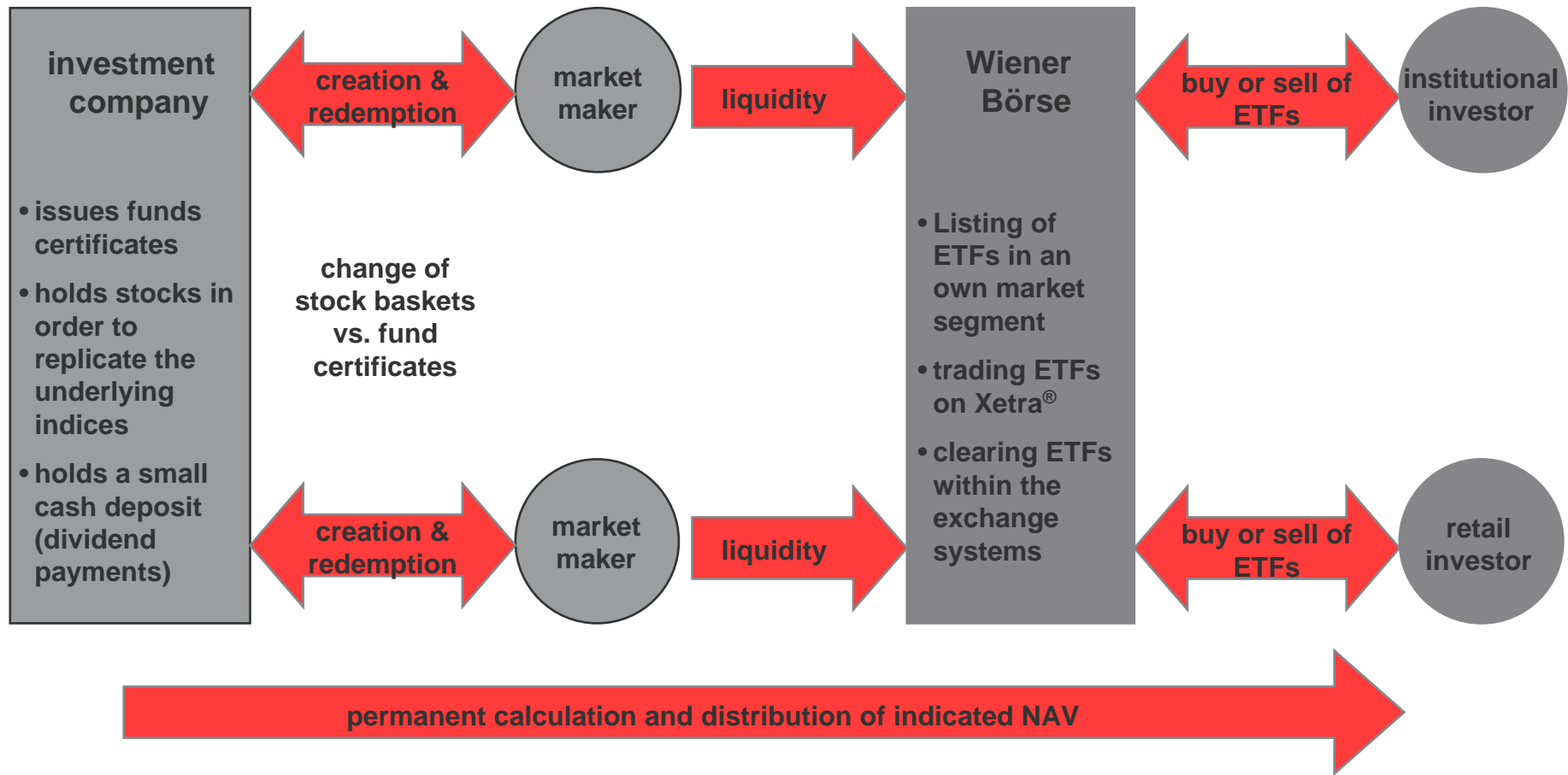
- continuous trading
- efficient pricing
- liquidity by market maker
- transparency in funds composition



- open end index funds
- passive managed funds
- replication of price and performance (total return) of the underlying indices



Trading Mechanism of ETFs



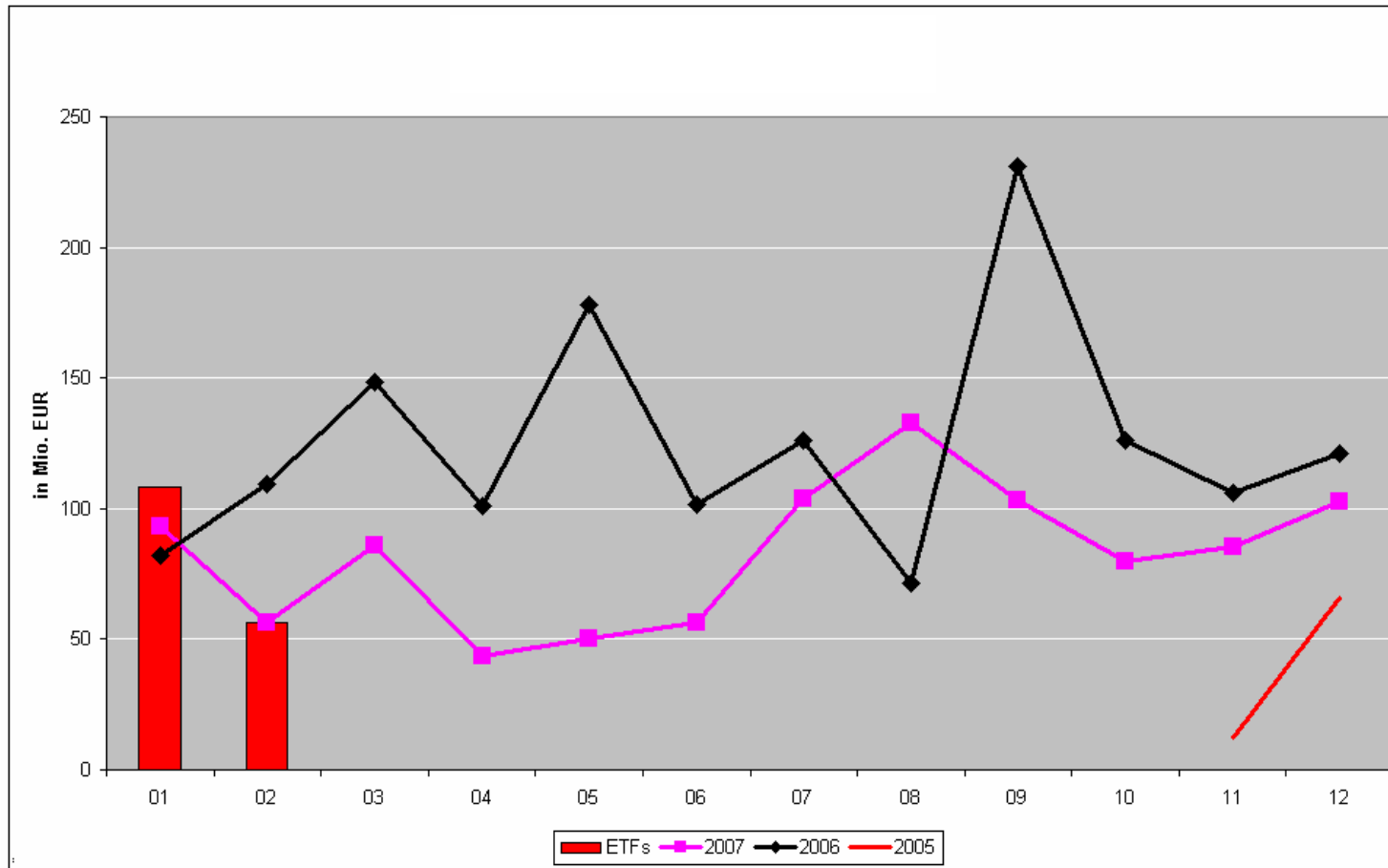


Listings of ETFs at Wiener Börse

- **actual 22 ETFs by 4 issuers listed and tradable at Wiener Börse**
 - IShares (7 listings)
 - ATX, DAX, DIVDAX, DJ EU Enlarge 15, DJ Euro Stoxx 50, etc.
 - Lyxor (4 listings)
 - DJ Global Titans 50, East Europe (CECEExt), Dow Jones 30, etc.
 - ABN Amro (10 listings)
 - RIC1, RIC1 Metals, RIC1 Agriculture, DJ Turkey Titans, Africa Top 40, SETX DAX Global Asia, DAX Global BRIC, etc.
 - ESPA (1 listing)
 - NTX



Trading Volume in ETFs on Wiener Börse





Listings of Investment Funds at Wiener Börse

- actual ~ 380 investment funds are listed in the unregulated Third Market at Wiener Börse
- mainly funds from international well known investment companies (e.g.: Axa, Dexia, DWS, Fidelity, Invesco, Pioneer, Pictet, Schroder, Templeton, etc.)
- continuous trading on Xetra®
- special market model (longer settlement period, etc.)



Exchanges open up new Channels of Distribution for Investment Companies

■ channels of distribution as of today

- direct selling / sales
- banks
- insurance companies
- financial service provider
- funds boutiques

■ rethinking of the funds industry

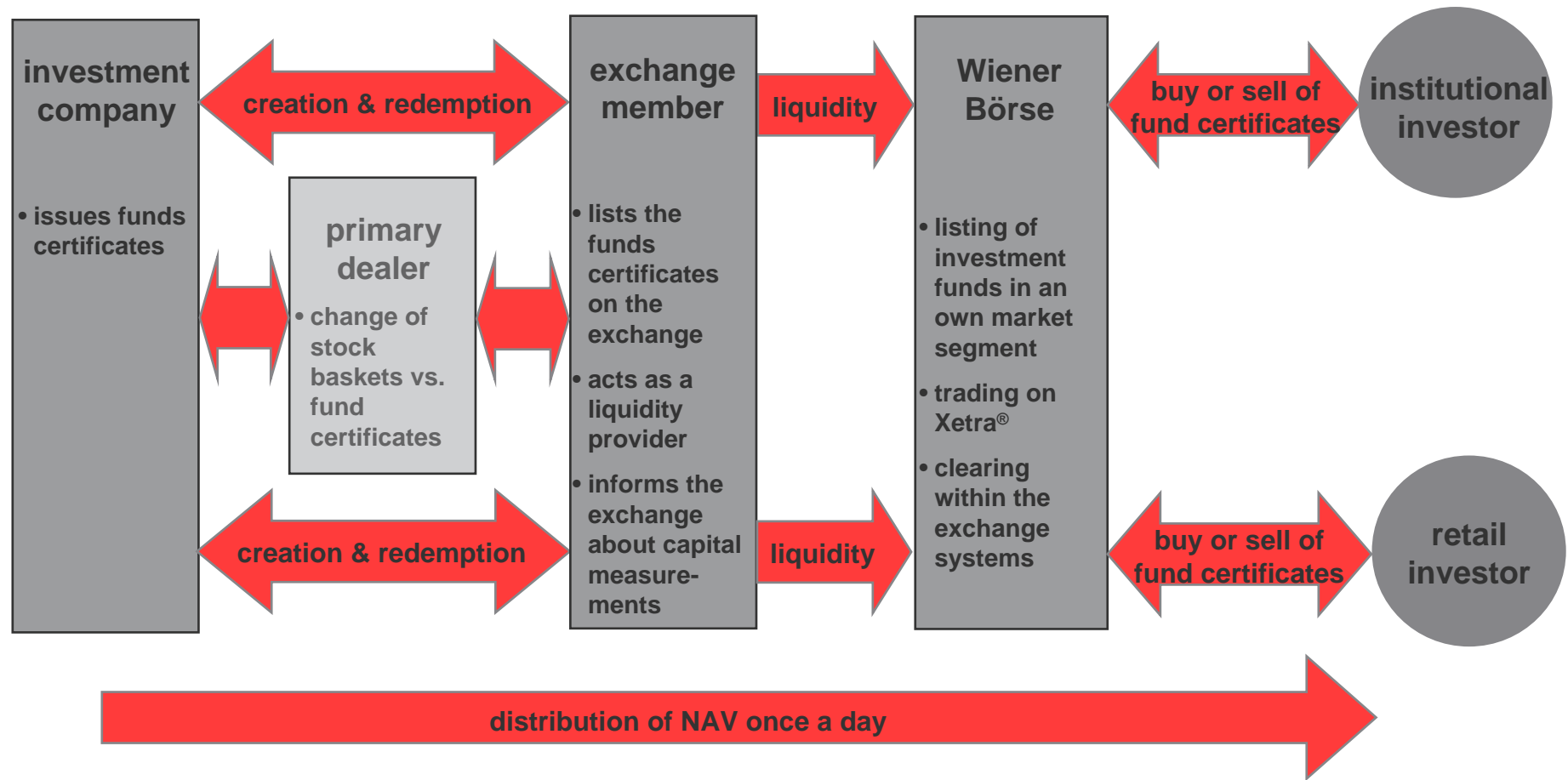
- front loads and management fees are more and more in the focus of investors
- banks extend their product range (e.g. certificates, etc.)

■ reasons for new distribution channels

- single-handedly direct selling for retail clients becomes too expensive
- advantage of a wide ranged institutional client base
- joint sales and marketing with intermediates like online brokers

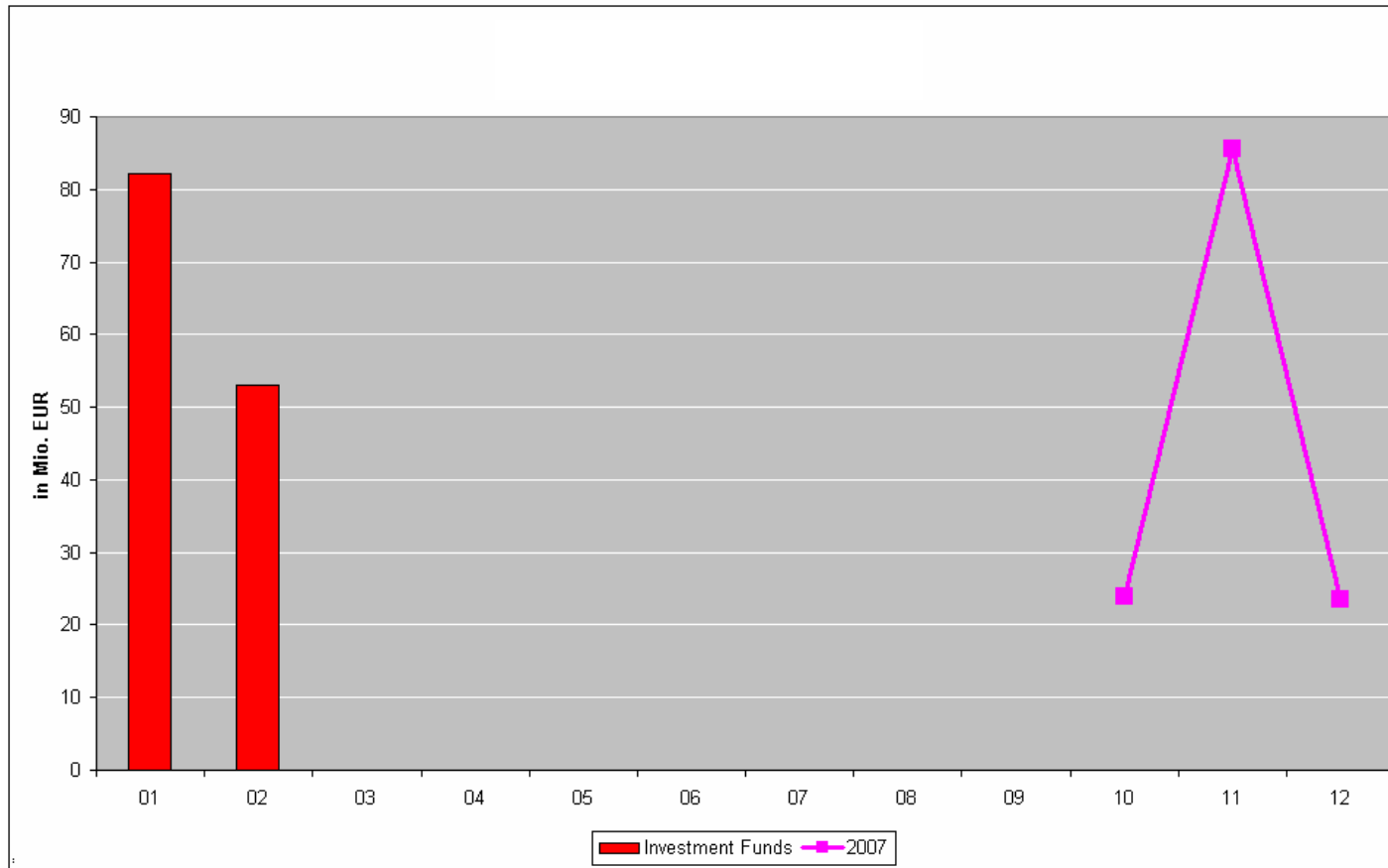


Trading Mechanism of Investment Funds





Trading Volume in Investment Funds on Wiener Börse



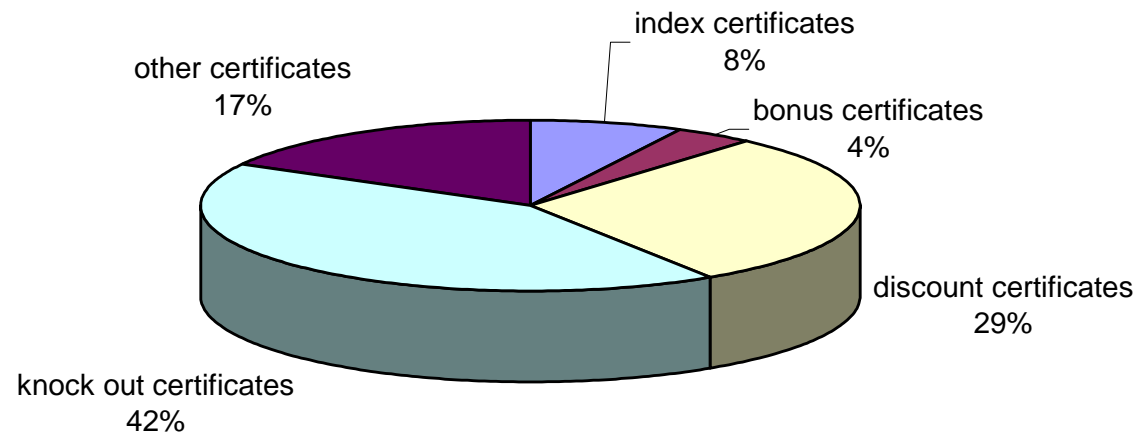


Certificates

- tradable
- obligations issued by banks
- with a limited or unlimited maturity (open-end certificates)
- with or without regular income
- with a variable value or a fixed redemption value
- based on terms of issue
- linked with the price of one or more underlying



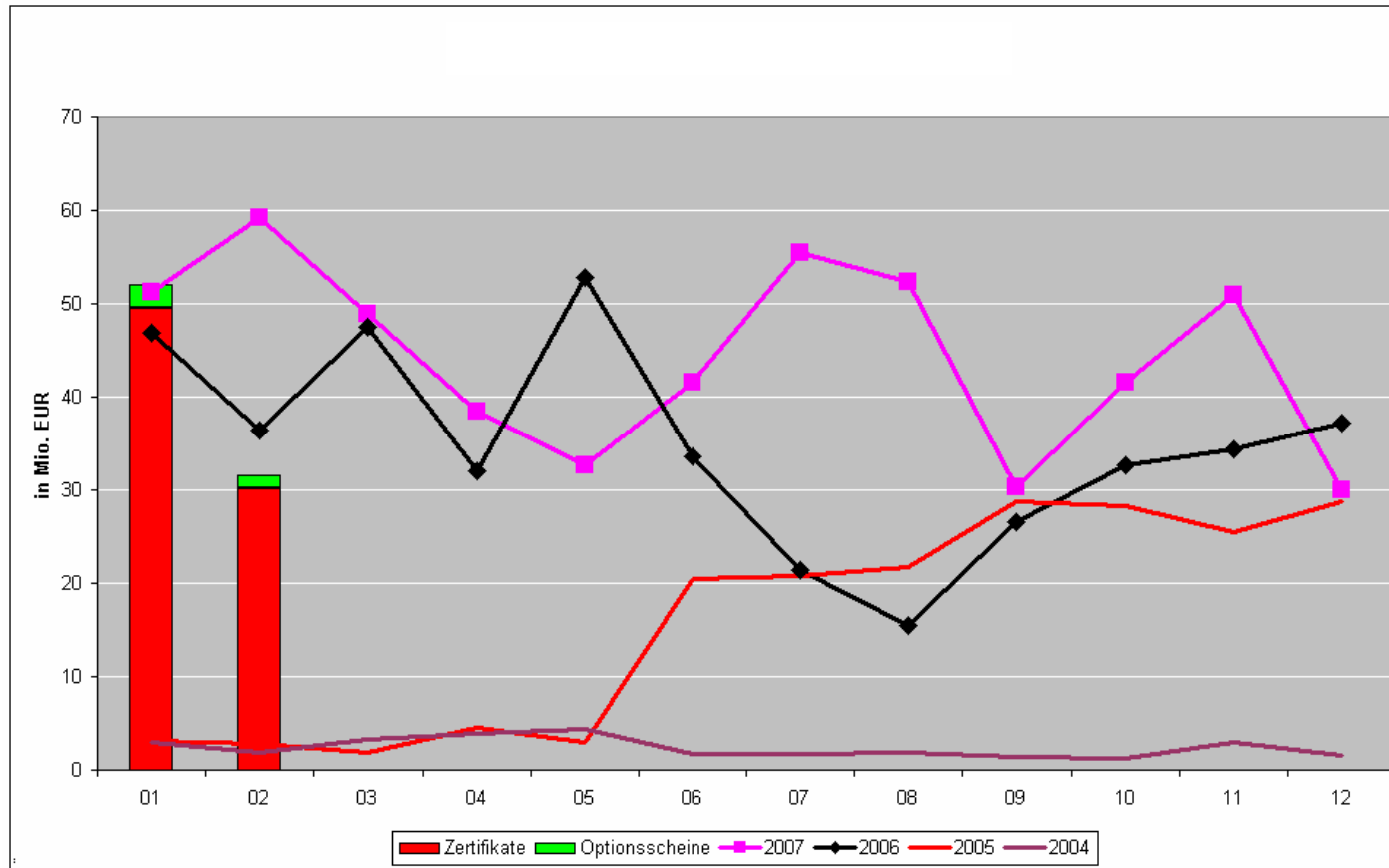
Actual Product Range of listed Certificates on Wiener Börse



index certificates bonus certificates discount certificates knock out certificates other certificates



Trading Volume in Certificates and Warrants on Wiener Börse





How Wiener Börse supports Structured Products

- **listing platform with competitive listing fees**
- **trading platform with competitive fees and all advantages of Xetra® and a well adapted market models**
 - permanent quotation by issuers
 - open order book with an automatic matching
 - all order types (limit, stop-loss, etc.)
 - circuit breaker (volatility interruption)
- **close cooperation with different lobbying groups (e.g. Zertifikate Forum Austria, VÖIG, etc.)**
 - brochures
 - road shows and other events
- **calculation of various indices as underlying for structured products**
- **presentation on the internet**



Broad Range of Indices calculated by Wiener Börse

CEE Indices

- **CTX** – Czech Traded Index (Czech Republic)
- **HTX** – Hungarian Index (Hungary)
- **PTX** – Polish Traded Index (Poland)
- **ROTX** – Romanian Traded Index (Romania)
- **RTX** – Russian Traded Index (Russia)
- **RDX** – Russian Depository Index (Russia)
- **RDXxt** – RDX extended (Russia)
- **SRX** – Serbian Traded Index (Serbia)
- **CROX** – Croatian Traded Index (Croatia)
- **BTX** – Bulgarian Traded Index (Bulgaria)
- **KTX** – Kazakh Traded Index (Kazakhstan)
- **UTX** – Ukrainian Traded Index (Ukraine)

CEE Composite-Indices

- **CECE** – CECE Composite Index (Poland. Czech Republic. Hungary)
- **SETX** – South-East Europe Traded Index (Bulgaria. Croatia. Romania. Serbia. Slovenia)
- **CECExt** – CECE Extended Index (Bulgaria. Croatia. Poland. Romania. Serbia. Slovenia. Czech Republic. Hungary)
- **NTX** – New Europe Traded Index (Bulgaria. Austria. Croatia. Poland. Romania. Czech Republic. Slovakia. Slovenia. Hungary)
- **CECE Banking. CECE Oil&Gas. CECE Health Care. CECE Telecom, CECE Infrastructure**



Index Products by Comparison

	trading	underlying	maturity	issuer	dividend payments	initial fees	regular fees	bid-ask-spread
index funds	prevailling issue and redemption	total return and price indices	open end	investment companies	full participation	~ 2 – 4 %	~ 0,5 - 1 %	none
index-certificates	continuous (exchange) trading	prevailing price indices	normally fixed maturity	banks	in case of price indices no participation	~ 1 %	none	~ 0.2 %
exchange traded funds (ETFs)	continuous exchange trading	total return and price indices	open end	investment companies	full participation	~ 1 %	~ 0,09 – 0,99 %	~ 0,05 – 0,5 %



Success Factors for future Development of Structured Products

- **market development (risk awareness)**
- **market regulation**
 - regulation of trading structured products
 - regulation of trading the underlying markets (e.g.: commodity markets, CEE)
- **complexity (establish understanding)**
- **product image**
- **tax treatment**
- **possibilities to use products for retirement provisions and pension plans**