
New Statistics on Structured Bonds

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In February 2011, Danmarks Nationalbank published new statistics on structured bonds. The statistics are based on new information from VP Securities and will in future form part of the Danish monthly securities statistics. Box 1 provides a definition of structured bonds and a brief presentation of the new statistics.

Structured bonds are a type of investment product that was introduced in Denmark in the late 1990s, and which has subsequently become very popular, particularly among private investors. Danmarks Nationalbank has previously analysed structured bonds, in Rasmussen (2007), and in particular the high costs and lack of transparency of the products have been subject to criticism. The purpose of the new statistics is to increase transparency and contribute to creating a better overview of, for instance, developments in and the composition of this market.

According to the new statistics, the volume of structured bonds increased from almost zero in the late 1990s to around kr. 66 billion in 2007-08. The outstanding volume has subsequently declined and today totals about kr. 34 billion, cf. Chart 1. The decrease since 2008 is the result of both fewer and smaller issues of structured bonds. Furthermore the statistics show the distribution of structured bonds by underlying

STRUCTURED BONDS IN DENMARK

Box 1

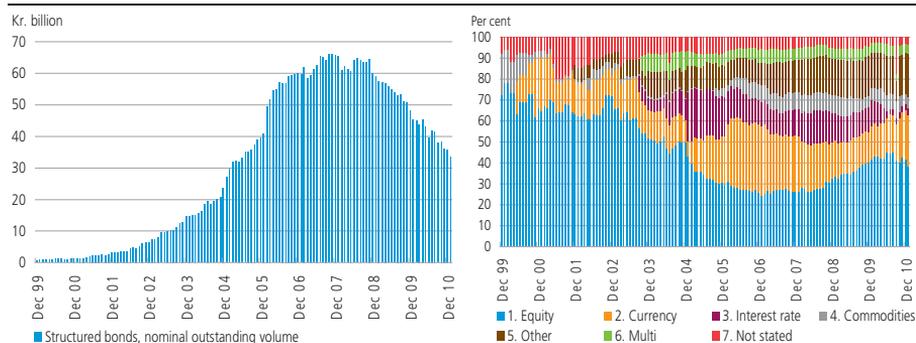
In the new statistics, a structured bond (also known as an index-linked bond) is defined as a compound financial instrument consisting of a traditional bond and an option, the return on which depends on developments in one or more underlying asset types such as equities, interest rates, currency etc. The bond element in structured bonds is often a zero-coupon bond, and issuers typically guarantee repayment of minimum 100 per cent of the principal on maturity.

The new statistics include the following information:

- Outstanding volume and number of products distributed on a variety of characteristics: underlying asset type, option type, maturity etc. (data is available from December 1999 and onwards)
 - Outstanding volume broken down by investor sectors and underlying asset type (data is available from December 1999 and onwards)
 - Statistics at ISIN code level with detailed information for individual products/ISIN codes (data is available from August 2010 and onwards).
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STRUCTURED BONDS IN DENMARK, END-1999 – EARLY 2011

Chart 1



asset types. In early 2000, the bonds were typically based on equities as the underlying asset type, while the variation has been much greater in recent years. In 2006-08, golden years for these products, interest rates, currency, and commodities were to a larger extent used as underlying asset types, whereas their use has receded in recent years.

FACTS ABOUT THE STATISTICS

The new statistics are based on data from VP Securities, where the organisers¹ register detailed information about structured bonds.

Historical data from December 1999 to August 2010 is primarily based on a database, which was prepared for analyses by Rasmussen (2007) and Jørgensen et al. (2009). The database includes detailed information about 347 structured bonds listed on the Copenhagen Stock Exchange in the period 1998-2009. Data for the products that are still in circulation has been confirmed by the bond organisers.

Table 1 shows an overview of the table names, contents and reference regarding the statistics.

LITERATURE

Rasmussen, Anne-Sofie Reng (2007), Index-Linked Bonds, Danmarks Nationalbank, *Monetary Review*, 2nd Quarter.

Jørgensen, Peter Løchte, Henrik Nørholm, David Skovmand and Anne-Sofie Reng Rasmussen (2009), Garantiobligationer for private investorer – Et markedsoverblik, *Finans/Invest*, No. 4 (in Danish only).

¹ The party that has developed and packaged the structured product.

STATISTICS ON STRUCTURED BONDS, OVERVIEW		Table 1
Table description and name	What they comprise	Where to find them
Instrument characteristics Structured bonds by various characteristics (DNVPSTRS)	Outstanding volume (market value, nominal value, number of products/ISIN codes) of structured bonds broken down by a number of instrument characteristics such as underlying asset type, option type, principal guarantee, maturity and coupon type	www.statistikbanken.dk under Money and capital market, Shares and bonds www.nationalbanken.dk under Statistics, Database, Securities statistics
Holder information Structured bonds by underlying asset type and investor sector (DNVPSTRH)	Outstanding volume (market value, nominal value) of structured bonds broken down by underlying asset types and investor sectors	www.statistikbanken.dk under Money and capital market, Shares and bonds www.nationalbanken.dk under Statistics, Database, Securities statistics
Individual ISIN/issues Structured bonds at ISIN code level	All registered information for the individual products/ISIN codes, excluding holder information	www.nationalbanken.dk , Statistics, Publications and data, Statistics on structured bonds by ISIN codes