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vwd group signs contract for acquisition of majority stake in companies making up the European Derivatives Group

Expansion in independent European ratings market

Frankfurt am Main, Germany / St. Gallen, Switzerland. vwd Vereinigte Wirtschaftsdienste AG, an independent provider of information, communication and technology solutions for the European securities industry, has entered into a contract to acquire 51 percent of the European Derivatives Group (EDG) within the first half of the current year. The group of companies, which consists of EDG AG (Munich, Germany), European Derivatives Group AG (St. Gallen, Switzerland) and European Derivatives Academy AG (Frankfurt am Main, Germany), specialises in ratings and quantitative analyses, as well as professional development programmes for structured financial products in order to improve the level of transparency and sustainability of these types of investment in Europe. The ratings produced by EDG are obtained by identifying risk factors and assessing the traceability of pricing. This makes it easier for investment advisers and private investors to evaluate and compare products. Customers and internet users will have access to the ratings through a number of channels, including vwd's own finance portal *finanztreff.de* and vwd group's market data systems.

EDG's expertise in the field of quantitative methods for the rating of structured investment products will be incorporated into product development at vwd group. In the future, for example, the risk rating of investment portfolios will be extended to include structured products. It is also planned to develop similar solutions for other asset classes based on EDG's expertise and to offer them through vwd group in Europe.

By acquiring a majority shareholding in EDG, vwd group has strengthened its position as a provider of background information for the financial markets. The vwd group's management board expects an increasing awareness of the importance of transparency and sustainability for all investment products. EDG's high-quality analyses can be supplied through vwd group to a broad customer base, which includes over 3,000 financial institutes and companies in the media and industry.

The EDG group companies will continue to exist as independent corporations. This will ensure that those structures, which have already been established, continue to remain objective and thus, assure the future independence and further development of ratings. "We would be delighted if this development were to have an impact also on the current political initiatives in an effort to overcome the ongoing financial crisis. After all, there have been calls for an independent provider to offer an objective system of European ratings for over ten years," observed Edmund J. Keferstein, CEO of vwd Vereinigte Wirtschaftsdienste AG.

Commenting on the acquisition of the majority stake by vwd group, Prof. Dr. Lutz Johanning, a co-founder of EDG and holder of the chair in empirical capital market research at the WHU - Otto Beisheim School of Management in Vallendar, Germany, said: "We looked at a number of very prom-

ising partnership offers, and we believe that vwd represents the best of these. The independence of this company and its strong market position in the field of intelligent system integration and distribution of financial market data complement our own analyses perfectly. Having said that, another important factor for us in taking this step was the clear vision of the management team at vwd group.”

End of message text

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Short profile of vwd group

vwd group (www.vwd.com) offers customised information, communications and technology solutions for the securities market. As a leading European provider, it specialises in meeting individual customer requirements in the areas of asset management, retail banking, private banking and wealth management. It offers innovative solutions for financial service providers, investors, private clients and the media.

As a full-service provider, vwd group supports the securities industry from the issue, distribution, analysis and trading of securities through to consulting and management. vwd group's applications and services combine the streams of data produced by global financial markets into productive information that can be used for analysis and decision-making. The integration of appropriate technology and transaction solutions make them fast and easy to use. For 60 years financial market experts and private investors have been using these solutions for their professional decisions on asset protection and growth in wealth.

Short profile of EDG

The objective of European Derivatives Group (EDG) is to independently establish standards of transparency for the financial markets. EDG has developed a broadly-based academic network and close contacts with the industry. Alongside the quantitative analysis of structured products (e.g. certificate ratings, risk classification and price plausibility checks), it offers high-quality training and professional development programmes through the European Derivatives Academy (EDA). The group employs twenty staff members with many years of practical experience and backgrounds in economics, financial mathematics and information technology, as well as in training and professional development. The group is based in St. Gallen, Munich and Frankfurt am Main.

Ratings

EDG has developed sound scientific techniques to make it possible to produce a quantitative rating of certificates. The underlying quality of a certificate is measured on the basis of four criteria: cost, tradability (liquidity), credit standing and the provision of information by the issuer. A different weighting is given to the components of investment and leverage products. In addition to the four product quality criteria, the risk/benefit ratio is taken into consideration in order to establish to what extent a particular product meets the risk profile of an investor. Each investment instrument is, therefore, given a classification based on Value at Risk (VaR) in one of five risk categories.