

d e m i n o r

Ministry of Finance
3, rue de la Congrégation
L-1352 Luxembourg

*To the attention of Mr. Luc Frieden
Minister*

Delivered by hand on December 12th, 2011

Dear Minister Frieden,

Object: Madoff – third anniversary

1. We are writing to you as advisors to around 2.500 investors who were impacted by the Madoff fraud through investments in the so-called “*Madoff feeder-funds*” i.e. investment funds that lost virtually all of their assets in the Ponzi scheme run by Bernard Madoff. These investors, most of whom are private individuals, are located throughout the world, excluding the USA. Along with our clients, the financial advisors listed in Schedule A are explicitly supporting this letter.

2. A significant number of non US-investors impacted by the Madoff fraud had entrusted their wealth to Luxembourg SICAV’s or off-shore investments funds whose service providers (e.g., custodian banks, investment managers, auditors...) were Luxembourg-based entities. The SICAV’s and the Luxembourg-based service providers were legal entities falling under the scope of Luxembourg legislation, and subject to supervision by Luxembourg authorities such as the *Commission de Surveillance du Secteur Financier*.

While considering the investments, our clients and their financial advisors have relied on the safeguards in place in Luxembourg, an international financial center that openly prides itself as having an efficient system aimed at the protection of investors. For instance, in the legal and regulatory environment section of the “*Luxembourg For Finance*” website (www.lff.lu), i.e. the agency for the development of the financial sector which is under your presidency, we read that “*the (Luxembourg) legislator has a dual objective: to deliver a robust, competitive legal framework for the financial center whilst guaranteeing optimal protection for investors*”.

Given the current disappointment and frustration among the investors' community when it comes to the resolution of the Madoff case in Luxembourg, there is a real risk that such statement would not inspire any longer trust with investors and their financial advisors.

3. European and Luxembourg laws aim to ensure, amongst others, that the offering documents and other communication issued by the funds and their service providers present a true and complete picture of the proposed investment, that the required controls are put in place and that the fund's assets are kept in segregated accounts.

Three years have passed now since the arrest of Bernard Madoff and the revelation to the investors' community that the assets of the funds were completely missing and the funds' accounts had been permanently false.

It appeared that Luxembourg-based entities had knowingly accepted to be mentioned in the offering documents as the service providers of the funds while in practice they had reduced their role to acting as pure "*letter box companies*". In other words, Luxembourg based institutions lent their (and Luxembourg's) credibility to the proposed investment and, consequently, created legitimate but false expectations with investors about the seriousness of the proposition while actually it was nothing more than a scam. Even worse, the custodian banks and asset managers gave a blank cheque to Bernard Madoff without reserving the right to exercise any effective controls. Facts of the case have established that Bernard Madoff was acting at the same time as investment manager and custodian, in total contradiction with information disclosed to the investors, and in violation with European and Luxembourg regulations and *best practices* in force in the fund industry. There was no segregation of assets, auditors turned a blind eye to these irregularities and it seems that none of them has ever raised the slightest objection to the CSSF, let alone to the investors. Even the CSSF claims to have been misled on the true structure of the funds, as there are indeed indications that some of the custodian banks blatantly lied to the CSSF about their custody relationship with Bernard Madoff and about the true functioning of the funds.

4. Despite the alarming evidence that these losses have only been made possible due to the fraudulent behavior, at least the gross negligence, of the aforementioned Luxembourg entities, none of these institutions has been held accountable to date.

There is a general sentiment among the concerned investors that they are actually being deprived of their elementary rights to justice.

Following its preliminary investigation, the CSSF advised investors who wanted to seek a compensation for their losses to seize the Luxembourg courts. Nevertheless, these courts have so far denied access to justice to the numerous investors who followed the CSSF's advice, leaving them (so far) without any effective remedy.. The court-appointed liquidators of the SICAV's are not hopeful to obtain an award of damages in the foreseeable future either, as they are facing numerous procedural challenges that are

repeatedly being raised by the defendants with the sole objective of delaying the debate on the merits.

5. Foreign courts have decided in various instances that the service providers' liability for their role played in Madoff feeder-funds is a matter between investors and those service providers, to be handled by the Luxembourg courts. Needless to say that investors more than ever rely on the Luxembourg authorities, who have a great responsibility but also a unique opportunity to show that the "*optimal protection for investors*" that they are selling to the investors' community does not become a hollow statement. Given the central role that Luxembourg-based institutions played in the Madoff feeder-funds, investors are assuming that the Luxembourg authorities will continue to deal with their interests as a top-priority, and firmly expect that those who failed in performing their role will be held liable in a timely fashion.

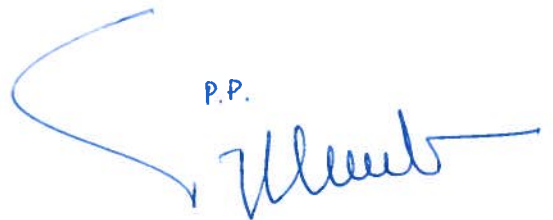
Please kindly note that the present letter will be made publicly available.

We remain at your entire disposal for any further information you may need or for any questions you may have regarding the contents of this letter.

Sincerely yours,



Edouard Fremault



Erik Bomans

Schedule:

A. List of signatories of the present letter

SCHEDULE A

Name:

Address:

Quality (Investor? Financial advisor? Other?):

Hereby support the letter of Deminor to Minister Frieden.

Date:

Location:

Signature:

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