

A large, abstract graphic in shades of blue and teal, resembling a network or molecular structure, is positioned in the upper right background. It features interconnected nodes and lines, creating a complex, spherical-like pattern.

# Iceland

## Accounting

FUNDS AND FUND MANAGEMENT 2009

### 1.1 Requirement to produce financial statements

#### Requirement to maintain the books and records in the local jurisdiction

The accounting records must be maintained for a minimum period of seven years. The accounting records may be kept by a custody services company. In particular, the accounting records must be sufficient to allow reliable pricing of units to permit unit dealing. For investment funds and UCITS retail funds pricing must be undertaken daily.

#### Production of financial statements by collective investment funds

The Financial Supervisory Authority (FME) publishes rules that require authorized funds to prepare annual and half-yearly reports and financial statements.

Guidance on accounting, the form and content of annual and half-yearly reports, and example accounts formats are contained in the rules on financial statements of management companies of funds (Reglur um reikningskil rekstrarfélaga verðbréfasjóða nr. 97/2004).

The CEO and the board of directors of the management company are responsible for the preparation of the annual and half-yearly report and financial statements. The asset management company may contract with a third party to provide accounting services, including the preparations of a financial statement; however the responsibility for the accounting records and for preparation of the financial statements remains with the asset management company.

Each report of an asset management company must be signed and approved by the CEO and the board of directors.

#### Choice of period/year-end for collective investment funds

According to [the Law on Undertakings for Collective Investment in Transferable Securities \(UCITS\) and Investment Funds](#) no 30/2002 (Lög um

verðbréfasjóði og fjárfestingarsjóði”) financial institutions must have the calendar year as their accounting year.

According to the rules on the financial statements of management companies of UCITS (Reglur um reikningsskil rekstrarfélaga verðbréfasjóða nr. 97/2004) the interim financial statement must be done no later than 30 June.

### Requirements for comparatives

The financial statements are required to provide comparative information. The information must be the equivalent information in the preceding accounting period. In the half-yearly report the comparatives required are the same half-year period in the previous year for the statement of total return but the last audited figures (that is, the last full accounting period) for the other primary statements. Comparatives are also required in the notes to the financial statements.

### Restrictions on the currency under which financial statements must be prepared

Financial statements of the management company must be prepared in the base currency of the management company. Funds managed by the management company may be prepared in the currency they are offered. For example the management company financial statement can be prepared in ISK while the financial statement of each fund can be kept in a different currency.

### Accounting publications specific to the funds industry (as issued by accounting bodies or the regulator)

The most important documents regarding accounting and reporting by Icelandic authorized funds are the following:

- Lög um verðbréfasjóði og fjárfestingarsjóði nr. 30/2003 ([Act on Undertakings for Collective Investment in Transferable Securities \(UCITS\) and Investment Funds](#)).
- Reglugerð um verðbréfasjóði og fjárfestingarsjóði nr. 792/2003 ([Regulation on Undertakings for Collective Investment in Transferable Securities \(UCITS\) and Investment Funds](#)).
- Reglur um reikningsskil Rekstrarfélaga Verðbréfasjóða nr. 97/2004 (Rules on financial statements of management companies of funds).
- Lög um fjármálafyrirtæki nr. 161/2002 (Act on Financial Undertakings).

### Use of short form accounts

No requirements in Iceland.

### **Requirement to prepare a short report**

No requirements in Iceland.

### **Umbrella schemes**

The same rules apply as for the investment funds and UCITS funds.

## **1.2 Requirement to audit financial statements**

The annual financial statements must be subject to a full scope audit in accordance with Icelandic law by an independent auditor.

No audit is required of the half-year report or, if prepared, any other interim reports.

## **1.3 Publication of financial statements**

In Iceland, there is no public repository for the reports of Icelandic authorized funds except for the funds which are listed. Listed funds are required to publish their reports in the Nasdaq OMX Nordic Exchange

The Icelandic authorized funds are required to submit the signed annual and half-yearly report to the FSA but the FSA does not maintain these on a public record.

Investors in the fund are entitled to receive the annual and half-yearly report.

## **1.4 Accounting standards**

Icelandic authorized funds follow the International Standards on Auditing (ISA) and the Financial Reporting Regulation issued by the FSA.

The introduction of International Financial Reporting Standards (IFRS) does not apply directly to the Icelandic authorized funds.

## 1.5 Contents of financial statements

Requirements for inclusion in the financial statements:

	Required by law	Complied with for Best Practice
A statement which includes all income less expense plus realized and unrealized gains and losses	Yes	Yes
A statement which only includes income less expenses	Not permitted	Not permitted
A statement which only includes income less expenses plus realized gains and losses.	Not permitted	Not permitted
Statements of net assets and liabilities ( a balance sheet)	Yes	Yes
Statement of changes in net assets	Yes	Yes
Cash flow statement	Not required	No
Statement of accounting policies	Yes	Yes
Investment Statement	No	Yes
3 year net asset value table	Yes	Yes
5 year net asset value table	No	No
5 year performance record	No	No

Notes:

1. Icelandic law establishes the FME as the competent authority to establish the rules by which the Icelandic authorized funds must operate.

## 1.6 Accounting treatments and disclosures

The following must be included in annual financial statements:

	Required by law	Complied with for best practice
Futures are shown on balance sheet using the grossed up notional amount <sup>1</sup>	No	No
Futures are shown on the balance sheet based on the margin outstanding	No	No
Futures are shown on the balance sheet based on the margin outstanding and the margin paid to date	Yes	Yes
Organization costs are written off immediately	Yes	Yes
Organization costs are amortized over one year	No	No
Organization costs are amortized over more than one year	No	No
Issue costs are charged to the statement of operations	No	No
Issue costs are netted off against creation proceeds	No	No

	Required by law	Complied with for best practice
Contingent deferred sales charges are recorded as income	No	No
Contingent deferred sales charges are netted off against redemption proceeds	No	No

Notes

Derivatives held by funds must be shown in the balance sheet at market value, assets and liabilities must be shown separately (not netted off).

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.