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# Luxembourg

## Accounting

FUNDS AND FUND MANAGEMENT 2009

### 1.1 Requirement to produce financial statements

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

Central administration of Luxembourg domiciled investment funds must be based in Luxembourg. Central administration responsibilities include NAV calculation, transfer agent activities, maintenance of accounting records, and preparation of financial statements. Although certain tasks may be outsourced outside of Luxembourg (IT mainframe and input of transactions) under the strict control and supervision of the Luxembourg central administration, the accounts must be kept, and the accounting documents must be available in Luxembourg.

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

The law of 20 December 2002 on undertakings for collective investment, as amended, The Law of 20 December 2002, requires all Luxembourg funds to publish annual and semiannual reports. The content of the annual report derives from the UCITS directive. It includes:

- a statement of assets and liabilities;
- number of shares in circulation;
- net asset value per share;
- income and expenditure account for the reference period (including income from investments, other income, details of expenses, etc.);
- a statement of portfolio;
- a statement of changes in net assets;
- a statement of changes in the composition of the portfolio during the reference period (this information may be omitted if made available upon investors' request, free of charge);

- comparison of closing NAV and NAV /share for the last three years;
- information on securities lending and repurchase agreements;
- maximum proportion of management fees charged both to the fund itself and to the funds in which it invests (if the fund invests more than 50% in other funds);
- information on derivative commitments; and
- a report of activities, as well as any significant information which will enable investors to make an informed judgment on the development of the activities and the results of the fund.

There is no mandatory chart of accounts and the structure of the report is flexible.

### Requirement for comparatives

Comparative figures are not required, with the exception of a comparison of the closing NAV and NAV per share for the preceding three years.

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

The fund can freely choose its reporting year-end (usually a month end).

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

There are no restrictions on the reporting currency.

### Use of short form accounts

Short form reports may be issued provided that the full version is also available to investors. When the fund is incorporated as a company, company law requires formal approval of the accounts by the directors a month prior to the annual general meeting of shareholders.

### Umbrella structures

When the fund is incorporated as an umbrella structure, the financial statements include information on each sub-fund in their respective reference currency as well as on a combined basis in either the currency of the share capital or in the currency determined for that purpose. Each sub-fund may have a different reporting currency.

#### Classes of shares

When a fund or sub-fund is multi-class, the financial statements usually provide the following information for each share class:

- NAV per share
- Number of shares in issue
- Changes in the number of shares in issue

It is not required, nor is it the market practice, to produce financial statements for each share class.

#### 1.2 Requirement to audit financial statements

The law of 20 December 2002 requires an audit of the annual report issued by a Luxembourg fund. The semiannual report is not subject to audit. The scope of the auditor's mandate is defined by the law and by the circular CSSF 02/81. It also includes the verification of certain procedures and the issuance of a report on the activity of the fund (also called a long-form report).

#### 1.3 Publication of financial statements

Financial statements must be sent to the regulators as follows:

- Annual report: within four months of the year-end
- Semiannual report: within two months of the period end

Financial statements are also sent to registered investors.

#### 1.4 Accounting standards

Financial statements are usually prepared under Luxembourg generally accepted accounting principles (Lux GAAP). The principles are fairly straightforward and provide adequate flexibility to accommodate the specific features of investment funds.

Some basic principles are as follows:

- Valuation of assets (including financial instruments) and liabilities at market value
- Recognition of unrealized gains and losses in the statement of operations
- Trade date accounting

- Formation expenses can be capitalized and amortized over a maximum period of five years.

## 1.5 Contents of financial statements

Requirements for inclusion in annual financial statements:

	Required by law	Required by Luxembourg GAAP	Complied with for Best Practice
A statement which includes all income less expenses plus realized and unrealized gains and losses	Yes	Yes	Yes
A statement which only includes income less expenses	No	No	No
A statement which only includes income less expenses plus realized gains and losses	No	No	No
Statements of net assets and liabilities	Yes	Yes	Yes
Statement of changes in net assets	Yes	Yes	Yes
Cash flow statement	No	No	No
Statement of accounting policies	Yes	Yes	Yes
3 year net asset value table	Yes	Yes	Yes
Derivatives commitments	Yes	Yes	Yes

## 1.6 Accounting treatments and disclosures

The following items must be included in the annual financial statements:

	Required by law	Accepted under Luxembourg GAAP	Complied with for Best Practice
Futures are shown on balance sheet using the grossed up notional amount	No	Yes	Yes
Futures are shown on the balance sheet based on the margin outstanding	No	Yes	Yes

	Required by law	Accepted under Luxembourg GAAP	Complied with for Best Practice
Futures are shown on the balance sheet based on the margin outstanding and the margin paid to date	No	Yes	Yes
Organization costs are written off immediately	No	Yes	Yes
Organization costs are amortized over one year	No	Yes	Yes
Organization costs are amortized over more than one year	Max. 5 years	Max. 5 years	Max. 5 years
Issue costs are charged to the statement of operations	No	Yes	Yes
Issue costs are netted off against creation proceeds	No	Yes	Yes
Contingent deferred sales charges are recorded as income	No	Yes	Yes
Contingent deferred sales charges are netted off against redemption proceeds	No	Yes	Yes
Holdings in other collective investment funds are consolidated if the fund holds > 50% of the underlying collective investment fund's shares	Depends on the purpose of the holding	Depends on the purpose of the holding	Depends on the purpose of the holding
Methods used in financial statement presentation to measure listed investments are:			
Cost	No	No	No
Market value	Valuation method is described in the prospectus		
The financial statements distinguish between income and capital	No	No	No

## 1.6 Other structures

Specialized investment funds (see Section 2 in Luxembourg's Regulation document), SICAR, pension funds and securitization funds (see Section 2 in

Luxembourg's Regulation document) are subject to specific requirements in relation with financial statements' presentation and publication as detailed in the relevant laws regulating the schemes. The overall principles of valuation of assets and financial instruments at market value and recognizing unrealized gains in the statement of operations would normally prevail.

## Appendix

### Reference Material

The following details the relevant laws and regulations for collective investment funds and fund management companies and provides web addresses (in certain instances) for where this material can be located:

Regulator: [www.cssf.lu](http://www.cssf.lu)

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