

A large, abstract graphic in the background of the top half of the page. It features a complex network of blue lines and nodes, resembling a globe or a molecular structure, with a semi-transparent blue sphere in the center. The nodes are represented by small blue squares and hexagons connected by thin blue lines.

Netherlands

Accounting

FUNDS AND FUND MANAGEMENT 2009

1.0 Introduction

In the Netherlands investment institutions falling under the Act on Financial Supervision (*Wft*) are in principle permitted to apply two sets of measurement and presentation principles, namely Netherlands (NL) GAAP (the requirements as laid down in the Netherlands Civil Code (*Burgerlijk Wetboek – BW*) Book 2 Part 9, the Guidelines for Annual Reporting (*Richtlijnen voor de Jaarverslaggeving - RJ*), and the *Wft*), or EU GAAP (the EU-endorsed IAS/IFRS standards and interpretations supplemented with provisions in Book 2 Part 9 and the *Wft*). In the case of listed investment institutions that prepare consolidated financial statements, application of EU GAAP is mandatory. Certain provisions from BW2 Part 9 and the *Wft* remain applicable even when EU GAAP is used. In addition, non-listed investment institutions are allowed, but not obliged, to apply EU GAAP.

To determine which of the two sets of principles is primarily applicable, the following questions need to be answered.

- Is the investment institution listed on the stock exchange?
- Does the investment institution prepare consolidated financial statements?

If the investment institution is listed and prepares consolidated financial statements, application of EU GAAP is mandatory. In all other cases, the institution is free to opt for application of EU GAAP or NL GAAP.

Investment institutions that elect to apply EU GAAP are still required to apply certain articles of BW2 Part 9. These articles mainly concern capital protection, the revaluation reserve, the management report, other information, the expert audit, and disclosures (see also section 1.2 EU GAAP). In addition, several other specific *Wft* requirements are applicable, such as the turnover ratio (TOR) and the total expense ratio (TER).

The reporting requirements for investment institutions that prepare their financial statements according to NL GAAP are explained in greater detail in section 1.1. The provisions of EU GAAP are described in section 1.2. In section 1.3 KPMG in the Netherlands looks specifically at the reporting aspects for property investment institutions. Section 1.4 deals with the transparency

guideline, after which sections 1.5 and 1.6 focus on, respectively, the management report and the other information.

The applicable statutory requirements are described, making a distinction between the requirements for measurement, presentation and disclosure.

1.1 NL GAAP

General

NL GAAP is the collective name for the measurement and presentation principles as included in the various sources for external reporting in the Netherlands, namely BW2 Part 9, RJ 615, and the Wft.

BW2 Part 9 contains the statutory provisions that influence the measurement of assets and liabilities of companies in general and investment institutions in particular.

The Guidelines for Annual Reporting (RJ) are an elaboration of the generally accepted standards for the principles for measurement, determination of results, presentation, and disclosure.

The specific requirements for the reporting of investment institutions are contained in RJ 615. From 1 January 2008 certain changes have been made to RJ 615 to bring this guideline more into line with BW2 Part 9 as well as Wft. RJ 615 is applicable to investment companies due to their legal status are subject, in accordance with article 2:360 BW, to Part 9, as well as to investment companies which have been granted a license under the Wft. For the other types of investment institution, these rules serve as guidance.

As already noted in section 2.1, the Wft took effect on 1 January 2007 and brings together the majority of the regulations for financial companies and financial markets as well as the supervision thereof. As regards investment institutions, the rules that were formerly contained in the Investment Institutions Supervision Act and the related Investment Institutions Supervision Decree are now incorporated in virtually unchanged form in the Wft.

In this chapter KPMG in the Netherlands will indicate the specific requirements for measurement, presentation and disclosures that are set out in each source (that is, BW, RJ, and Wft).

Measurement

BW2 Part 9

In principle investments can be measured at cost and current value. In view of the firm recommendation of the Council for Annual Reporting (Raad voor de

Jaarverslaggeving - RJ) investments are normally not eligible for measurement at cost. If investments are measured at current value, then the Decree on Current Values (BaW) is applicable. This decree makes a distinction between different current value terms, including market value. This market value is particularly important to investments and is defined as: the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction.

Financial instruments

BW2 Part 9 and the BaW set forth specific provisions for financial instruments. Financial instruments comprise: receivables, debts, loans, bonds, or equity investments, as well as derived instruments (derivatives). Financial instruments are allowed to be measured at current value, provided that the specific conditions set out in the BaW are satisfied. If financial instruments are measured at current value, the market value is applicable.

Where it is not directly possible to assign a reliable market value to the financial instruments, the market value is approximated:

- by deriving this from the market value of its components or a substantially similar instrument if a reliable market value can be assigned to its components or a substantially similar instrument; or
- with the aid of generally accepted valuation models and techniques.

The notes to the financial statements must state which approximation method was applied.

If the current value cannot be determined with sufficient accuracy, measurement must take place at acquisition cost.

Accounting for changes in value

In the case of investments, measurement at current value is considered to be extremely important and the realization principle is not of decisive importance in accounting for results stemming from appreciations in value. Changes in value of investments are taken directly to the result. It is important to recognize in the income statement the extent to which the changes in value are unrealized. Though the law also allows recognition of unrealized changes in value via equity, the RJ does not recommend this.

Changes in value of derivative financial instruments that are used for cash flow hedging and are effective in hedging certain proposed transactions or liabilities that are not yet stated in the balance sheet are credited or debited directly to the revaluation reserve. This ensures that changes in value are accounted for in the same period as the changes in value of the risks that they are designed to hedge.

RJ 615 Investment institutions

The law offers investment institutions the option of recognizing investments at market value. Market value is understood to mean the best price at which a commodity can be sold in the market, exclusive of transaction costs still to be incurred.

RJ 615 is more specific in relation to the valuation principle for measuring investments. Investment institutions must measure the investments at fair value (market value). Fair value is understood to mean the amount for which an asset can be traded or a liability settled between knowledgeable, willing parties in an arm's-length transaction. If there is no active market or regularly quoted market price for an investment instrument, the fair value must be determined by alternative means, which concerns such items as unquoted securities and property investments. For information on property investments, reference is made to section 1.4.

Bid and ask price

As a reference for the quoted market price, RJ 615 recommends the current bid price for an asset and the current ask price for an issued liability. Investment institutions are also permitted to use the price of the most recent transaction (close price) as the quoted market price. Neither the law nor the current RJ 615 give reference rates for quoted market prices.

Acquisition costs

The amended RJ 615 seeks to treat acquisition costs in line with draft guideline 290 Financial Instruments. It is possible to include the transaction costs that are directly attributable to the acquisition of investments in the initial measurement of the investment and then to write these down over the expected term of the investment or to charge the costs immediately to the profit or loss. This applies in particular if the acquisition costs are of material significance in relation to the purchase sum (private equity/property).

Wft and BGfo (Decree on the Supervision of the Conduct of Business)

The measurement and presentation of investments are not separately provided for in the Wft and the BGfo. The management, investment institution, or custodian must prepare the financial statements, the management report and the other information in conformity with BW2 Part 9. This entails that measurement can take place according to NL GAAP or according to EU GAAP as described later in this brochure. Alongside the disclosure requirements, as formulated in BW2 Part 9, the notes to the financial statements of investment institutions must also comply with a number of disclosure requirements set out in the BGfo.

Presentation

BW2 Part 9

Revaluation reserve

The law prescribes that in the case of measurement at current value a revaluation reserve must be formed for changes in the value of investments for which no regularly quoted market price is available. A regularly quoted market price exists if assets can be immediately sold at a quoted price in a liquid market. A liquid market exists if the relevant assets are homogeneous, if buyers and sellers who are willing to transact can be found at any time and if the transaction prices are publicly known.

The formation of a revaluation reserve is not required for assets whose changes in value are taken to the profit or loss and for which a regularly quoted market price exists.

The revaluation reserve for investment institutions with investments that have no regularly quoted market price must be formed from the free reserves or from the profit for the financial year if the appreciations in value of the assets present on balance sheet date were also taken to the profit for the financial year.

Realized and unrealized changes in value

Pursuant to the law investment institutions are permitted not to credit or debit price or exchange differences relative to the previous balance sheet date to the income statement on condition that these are added or charged to the reserves. As already indicated, this is not recommended by the RJ.

RJ 615 Investment institutions

Models for balance sheet and income statement

Under NL GAAP the balance sheet and income statement must be prepared in accordance with model Q or R. or model S.

Cash flow statement

The cash flow statement is also applicable to investment institutions but, in contrast with the ordinary cash flow statement, the cash flow statement of investment institutions exclusively recognizes cash flows from investing activities and cash flows from financing activities.

Realized and unrealized changes in value

According to RJ 615 the investment result consists of realized income from investments plus changes in the value of investments as well as other profit or loss components. A split between realized and unrealized changes in value has no significance for the determination of profit or loss at investment institutions if the investments are made in securities whose fair value is determined in an objective manner. In the case of investments with no ready market, this distinction is meaningful as unrealized changes in value are less reliable.

The law allows investment institutions to account for both unrealized and realized changes in value via the reserves (price/exchange differences reserve, revaluation reserve). In this case these items do not occur in the income statement. In the case of changes in the value of investments with no regularly quoted market price, the investment institution is required by law to maintain a revaluation reserve.

RJ 615 recommends that both realized and unrealized changes in the value of investments are recognized in the income statement. This gives the institution the option to follow the law or not.

This preference of the RJ is entirely in line with the presentation under the International Accounting Standards which have been applicable to listed companies, and hence also to listed investment institutions, since 1 January 2005

Disclosures

BW2 Part 9

The articles in BW2 Part 9 set forth detailed demands for the disclosure notes to financial instruments. In the financial statements a distinction is made in the notes to financial instruments that are stated at current value and financial instruments that are not stated at current value. If the current value is determined with the aid of valuation models and techniques, the underlying assumptions must be disclosed. In addition, the following must be indicated for each category of financial instruments: the current value, the change in value that is stated in the result, the changes in value included in the revaluation reserves and the changes in value that have been deducted from the free reserves.

Moreover, additional notes must be given for each category of derived instruments, stating among other things the size and nature of the instruments and the relevant conditions that influence the amount, time, and certainty of the future cash flows.

If the financial instruments are not measured at current value, the notes must state for each category of derived financial instruments the current value as

well as information on the nature and size of the instruments. In addition, if the financial assets are measured at a higher value than the current value, the carrying amount and the current value must also be included. It should be noted that with this category of assets, no account has been taken of any value impairments as described in Article 387 (4) BW2 Part 9. The notes must also disclose why these value impairments have been ignored as well as why the management of the institution is of the opinion that the carrying value can be realized.

Formation and issuing costs

Based on Article 2:386 (3) BW2, formation and issuing costs can be capitalized and depreciated over a maximum of five years (under depreciations on intangible assets and other property, plant, and equipment) or charged in full to the income statement in the current year (under Other operating expenses). RJ 210 Intangible assets comprises provisions for the treatment of intangible assets in the financial statements. It is explicitly stated that formation and issuing costs do not meet the characteristics of an intangible asset as laid down in RJ 210.

RJ 615 Investment Institutions

Management expenses

The RJ defines management expenses as the expenses that the institution must incur to manage the funds entrusted. This includes all expenses with the exception of the transaction costs and the costs relating to the entry and exit of participants. The management costs therefore include the management fees, performance fees, advisory costs, staff costs, accommodation costs, costs of fixtures and fittings, and publicity costs. Interest charges are also included in the management expenses, with a further breakdown in the notes to the income statement.

Supplementary to the Wft and BGfo disclosure requirements, the RJ recommends disclosure of the method used to calculate the total expense ratio (TER) and the portfolio turnover ratio in the financial statements

Formation and issuing costs

RJ 210 Intangible assets contains provisions for the treatment of intangible assets in the financial statements. It is explicitly indicated that formation and issuing costs do not meet the characteristics of an intangible asset as laid down in RJ 210.

For this reason RJ 615, in contrast with BW2 Part 9, firmly recommends that such costs should not be capitalized. If these costs are not capitalized,

investment institutions must charge the formation and issuing costs to the income statement.

Specific issues

In addition to the above items, RJ 615 also covers several other requirements, including the recognition of the purchase and reassurance of units by open-ended institutions. In addition, a number of supplementary requirements are set for the management report as well as for the disclosure and clarification of personal interests of members of the management board and supervisory board. Finally, the institution must provide information on its tax status and recognition of taxation.

Wft and BGfo

The requirements in relation to the notes to the balance sheet and the income statement of an investment institution are contained in the articles 121, 122, 123, 124, and 146 BGfo. These requirements are outlined in greater detail below.

The management of an investment institution must include in the institution's management report a statement confirming that the investment institution has an AO/IC description that meets the statutory demands and that the AO/IC is effective and operates in accordance with the description.

Disclosure requirements for the assets and liabilities and the composition of the intrinsic value

Regarding the assets a fully reconciled statement of the movements during the financial year must be prepared and the composition of the assets at year-end must be indicated. In addition, a comparative overview must be given of the intrinsic value for the last three years, including the number of outstanding units and the year-end intrinsic value per unit. Furthermore, the liabilities in respect of hedging transactions for interest rate and currency risks must be indicated for each category.

The disclosures must also state the extent to which unmarketable investments have been valued by an independent expert, the method used to make this valuation and the frequency with which this valuation is carried out. In this context it is important to note that the BGfo requires that the value of unmarketable investments must be determined at least once per year by an independent expert. Furthermore, if applicable, a description of the policy in relation to the investment institution's voting rights and behavior in respect of shares in other companies and the manner in which the repurchase or redemption of units takes place must be provided. A comparative overview must also be drawn up of the costs as stated in the prospectus and the actual realization of these costs.

Disclosure requirements for the expenses and the degree of transparency

Article 123 BGfo sets out specific instructions in relation to the disclosure of the expenses of the investment institution and the required degree of transparency. The degree of required transparency also extends to the expenses arising from direct and indirect investments in other investment institutions.

On the grounds of article 123l BGfo the investment institution must provide insight into the level of expenses. In this connection the expenses are indicated as a percentage of the intrinsic value. This expense ratio is commonly known as the total expense ratio (TER).

In addition, article 123p BGfo obliges the investment institution to state the turnover rate of the assets (portfolio turnover rate). This provides an indication of the extent to which active movements take place in the investment portfolio as a result of investment decisions.

Disclosure requirements for the investment institution's contractual obligations

The investment institution must disclose the agreements and transactions entered into with parties related to the management, investment company, or custodian (related-party transactions). In addition, the institution must provide insight into the borrowing and lending of financial instruments, while additional disclosures must be included if an average of 20 percent or more of the managed assets is directly or indirectly invested in another investment institution. Insight must also be given into the recipients of returned commissions and soft commissions if these were not paid in favor of the institution.

According to the BGfo an investment institution that invests 95 percent or more of its managed assets directly or indirectly in another investment institution must disclose this in the notes through a fully reconciled statement of the movement of the assets of that other investment institution, an overview of the composition of the assets, a comparative overview of the intrinsic value of that investment institution for the last three years, the level of the costs of that other investment institution related to the intrinsic value, and the investment policy of that investment institution. The threshold as stated in the Investment Institution Supervision Decree of 2005 (Btb 2005) has thus been reduced from 99 percent to 95 percent. With these so-called master-feeder constructions, the investment institution must disclose information on the master as well as itself.

Other disclosure requirements

In addition, alongside the disclosure requirements already described, investment institutions must include the following details in the notes.

- Credit balances at credit institutions
- A breakdown in the statements of the investments into:
 - financial instruments that are admitted to the official listing on a regulated market;
 - financial instruments that are traded on stock exchanges or other regulated and regularly operating, recognized open markets;
 - newly issued financial instruments; and
 - financial instruments that are not admitted to or traded on a regulated market, stock exchange or other regulated, regularly operating, recognized open market.
- A fully reconciled statement of the net movements in the equity of the investment company or the managed assets of the investment fund in the reporting period
- The amount of liabilities broken down by category at the end of the financial year that arise from transactions relating to derived financial instruments
- EU GAAP

1.2 General

Regarding listed investment institutions that are obliged to apply EU GAAP to the consolidated financial statements, the Dutch legislator has decided to also permit application of EU GAAP to the company financial statements. The aim of this decision is to further increase the transparency and comparability of the financial statements. The legislator also gives the option of following BW2 Part 9 in the company financial statements with application of the accounting policies that the legal entity has applied in the consolidated EU GAAP financial statements.

The table below indicates the possible combinations that the legislator offers listed investment institutions that prepare consolidated financial statements:

	Consolidated financial statements	Company financial statements
1	EU GAAP	Part 9 Book 2 BW
2	EU GAAP	Part 9 Book 2 BW with application of the accounting policies that the legal entity has applied in the consolidated financial statements
	EU GAAP	EU GAAP

Non-listed investment institutions are free to prepare their consolidated and/or company financial statements according to EU GAAP.

BW2 Part 9 and Wft remain important with EU GAAP

Even when EU GAAP is applied, several provisions from NL GAAP remain applicable. This first of all concerns the provisions as contained in chapters 7 to 10 of BW2 Part 9. These chapters cover the management report, the other information, the expert audit, and disclosures. In addition, a limited number of specific articles from BW 2 Part 9 are also applicable. These deal with the description of capital (art. 383 and art. 383b through 383e) and the disclosure notes if the company's capital differs from the consolidated capital (art. 389 (10)). Supplementary to this, the rules set out in the Wft and BGfo are also applicable to the consolidated financial statements.

Differences between EU GAAP and NL GAAP

The guidelines of the RJ include a separate guideline in relation to investment institutions (RJ 615). EU GAAP, by contrast, has no separate standard for investment institutions. The relevant rules in relation to investment institutions are chiefly described in IAS 1 Presentation of Financial Statements, IAS 32 Financial Instruments: Presentation, IAS 39 Financial instruments: Recognition and Measurement, and IAS 40 Investment Properties for property investment institutions. Since 1 January 2007 IFRS 7 Disclosures is also applicable. IFRS 7 Disclosures contains new extensive rules in relation to disclosures. The old, more limited rules, were formerly included in IAS 32 Financial Instruments. IFRS 7 is discussed in greater detail later in the document.

For an extensive description of the EU GAAP rules KPMG in the Netherlands refers to the publication Illustrative Financial Statements: Investment Funds of KPMG. In this chapter KPMG in the Netherlands will exclusively discuss several key terms in EU GAAP and the most important differences with NL GAAP.

Measurement

Measurement of investments

Under NL GAAP investment institutions can measure their investments at fair value and both the realized and unrealized changes in value are taken direct to the income statement.

EU GAAP stipulates in IAS 32/IAS 39 that financial assets and liabilities can be classified in four categories with specific measurement principles and presentation requirements, namely:

- at fair value through profit and loss;
- available-for-sale;
- held-to-maturity; and
- loans and receivables

The four categories lead to two measurement principles, namely fair value in the case of at fair value through profit and loss, available-for-sale, amortized cost in the case of held-to-maturity, and loans and receivables. In view of the nature of the activities of investment institutions and the nature of the use of financial instruments, only the category at fair value through profit or loss seems applicable to investment institutions. The at fair value through profit or loss category entails that both realized and unrealized changes in value must be accounted for directly in the income statement.

Purchase costs of investments

Under EU GAAP purchase costs are included as part of the acquisition price of the investments. In the case of measurement at fair value, the purchase costs are charged immediately upon initial recognition to the income statement. With measurement at amortized cost, these costs are charged to the result on the basis of the effective interest method. Under NL GAAP institutions can choose between charging the purchase costs directly to the profit or loss or including them in the acquisition price.

Bid-ask correction

Under EU GAAP investments with an active market are stated at fair value. In the case of investments held for trading this means measurement at bid-price, and measurement at ask-price for a recognized liability. According to RJ 615, investments must be measured at fair value, i.e. the best price at which the investment could be sold on balance sheet date, without taking account of transaction costs still to be incurred. Under RJ 615 the recommended reference for investments with a quoted market price is the bid-price.

Presentation

Models for balance sheet and income statement

In contrast with NL GAAP, EU GAAP contains no prescribed models for the balance sheet and the income statement. IAS 1.68 and 1.81 only provide a number of general instructions, while IAS 1.57, 1.60 and 1.63 provide further guidelines for the distinction between current and non-current assets and liabilities.

No equity under IFRS

EU GAAP stipulates more stringent conditions for the measurement and presentation of equity. The current rules prescribe that capital may exclusively be presented as equity if the investment fund cannot be obliged to pay back the funds invested by the participants. If the investment fund has not stipulated in its articles of association or prospectus that it shall not make any payments under certain pre-defined situations, the investment fund must present the funds invested by the participants as loan capital. NL GAAP does not impose these presentation and measurement requirements in relation to the capital of the investment fund. So if NL GAAP is applied, the investment fund will present the funds invested by the participants as equity.

Cash flow statement

EU GAAP, unlike NL GAAP, provides no prescribed models for cash flow statements.

Statement of changes in equity

Under EU GAAP the statement of changes in equity constitutes an obligatory part of the financial statements. This overview contains all realized income and costs, including the income and costs that are taken directly to the equity. In addition, this statement also contains the cumulative effects resulting from changes in accounting policies and errors from prior years. NL GAAP requires that large legal entities must prepare a comparable statement called statement of the total result (oversight van het totaalresultaat). This forms part of the consolidated financial statements and supplements the statement of changes in equity in the company financial statements.

Disclosures

IFRS 7 disclosures

From 1 January 2007 IFRS 7 Disclosures is applicable to every company that applies IFRS. IFRS 7 replaces the disclosure requirements of IAS 32 Disclosure and Presentation. The presentation requirements of IAS 32 continue to apply without change. IFRS 7 outlines a minimum obligation in relation to the

disclosure of financial instruments based on classification into the 4 categories (see section on Measurement).

Risk disclosure section

IFRS 7 requires that the financial statements of a company enable the user to form an opinion on the nature and size of the risks arising from the financial instruments on balance sheet date. At least the following types of risk must be described: the credit risk, the market risk and the liquidity risk. The market risk breaks down into the interest rate risk, currency risk and the price risk. The risk disclosure section must make a distinction between quantitative and qualitative information. Qualitative information relates to risk positions and how they arose, to objectives, and procedures for the management of the risks and the methods used to measure the risks. Quantitative information relates to quantitative data on the exposure to the risks on balance sheet date.

1.3 Property investments

General

RJ 213 Property Investments (hereinafter: RJ 213) is applied to the recognition, measurement, presentation, and disclosure of property investments. This guideline is also applicable to property investments in the financial statements of lessees, which have been made available by means of financial leasing, and to property investments in the financial statements of lessors who make the asset available to others by means of operational leasing.

Definition

According to the definition of RJ 213 a property investment is: a property (or a part thereof) that is held (by the owner or by the lessee via financial leasing) with the objective of realizing rental income or an appreciation in value.

RJ 213 is not applicable to property used for the institution's own operations or property held for sale as part of the normal business activities. These come under RJ 212 Property, Plant, and Equipment and RJ 220 Inventories. RJ 615 Investment institutions (hereinafter: RJ 615) indicates that investment institutions may treat property used for its own operations as a property investment if it is of minor significance in relation to the overall property portfolio.

Measurement

The initial measurement of a property investment takes place at acquisition cost, including transaction costs.

Next RJ 213 stipulates that property investments must be measured at current value or historical cost. If current value is selected, then measurement must take place at fair value. The selected method must be applied to all property investments. Profits or losses that arise due to a change in the fair value of property investments must be recognized in the income statement of the period in which the change occurs. In addition, a revaluation reserve – chargeable to either the appropriated profit or the other reserves - must be formed for upward revaluations.

The cost price model stipulates that the property is measured at cost less cumulative depreciation and impairments.

In conformity with RJ 615, property investment institutions are exclusively permitted to measure at fair value.

Disclosures

Regarding the balance sheet and income statement disclosures, RJ 213 distinguishes between a general disclosure irrespective of the selected measurement method, disclosures specifically for property investments measured at fair value and disclosures specifically for measurement at cost. If property investments are measured at cost, the fair value of the property investments must be disclosed in the notes. RJ 615 explicitly stipulates that the notes must include the applied valuation assumptions and state whether the valuation took account of the transaction.

1.4 Transparency Directive

The Transparency Directive of the European Commission ([Directive no. 2004/109/EG](#)) has been implemented in full in the Wft. The directive lays down rules for the publication of periodic and ongoing information about issuers whose securities are admitted to trading on a regulated market in a member state.

The directive is not applicable to units of collective investment undertakings other than the closed-end type. In other words, it is not applicable to investment funds and investment companies:

- whose object is the collective investment of capital provided by the public and which operate on the principle of risk diversification; and
- whose units are, at the request of the holders of such units, repurchased or redeemed, directly or indirectly, out of the assets of these institutions.

The directive deals with several specific subjects. According to art. 4 the issuer shall make public its annual financial report at the latest four months after the end of each financial year and shall ensure that it remains publicly available for at least five years. The financial report consists of:

- audited financial statements;
- the management report; and
- statements by the persons responsible within the issuer, to the effect that, to the best of their knowledge, the financial statements and the management report give a true and fair view.

The mandatory publication of the financial statements, the management report, and other information by the management of investment undertakings within four months after the termination of the financial year is already included in the Wft.

On the grounds of art. 5 the issuer of shares or debt securities shall make public its half-yearly financial report as soon as possible after the relevant period, but at the latest two months thereafter. The half-yearly financial report comprises:

- a condensed set of financial statements;
- an interim management report; and
- statements by the persons responsible within the issuer, to the effect that, to the best of their knowledge, the condensed set of financial statements and the interim management report give a true and fair view.

According to the Wft, the management or investment undertaking must publish the half-year figures as soon as possible and within nine weeks after the termination of the first half of the financial year.

In addition, the Transparency Directive imposes a number of specific requirements on the management report and the interim management report.

1.5 Management Report

BW2 Part 9

The legislator assigns an important role to the management report, which must devote attention to numerous aspects. Among other things, the annual report must contain a balanced and complete analysis of the situation as at balance sheet date, the developments during the financial year and the results. This analysis must be in accordance with the size and complexity of the investment institution. The annual report must also contain a description of the principal risks and uncertainties confronting the investment institution.

In addition, the objectives and the policy of the investment institution in relation to risk management and the use of financial instruments must be mentioned,

including the risk hedging measures. Furthermore, attention must be devoted to the price, credit, liquidity and cash flow risks.

RJ 615 Investment institutions

Supplementary to BW2 Part 9 the management report of an investment institution must devote attention to:

- the objectives of the institution and the investment policy pursued, at least including the objectives and policy in terms of return and risk; and
- the investment result per unit (placed with third parties) over the last five years, broken down by income, changes in value and costs.

Wft and BGfo

According to the Wft the management must include in the management report a statement confirming that it has a description of the investment institution's administrative organization and system of internal controls that meets the requirements of the law and the BGfo and that the administrative organization and the system of internal controls is effective and operates in accordance with the description. The inclusion of such a statement in the management report does not mean that the auditor must examine this, though the external auditor must clearly verify the statement on the basis of his own observations. The inclusion of this statement in the management report entails that the management must take specific measures to establish the effectiveness of the AO/IC. In addition, the management must keep a systematic record of the activities on the basis of which it has arrived at the opinion contained in the statement.

1.6 Other information

BW2 Part 9 and RJ 615 Investment institutions contain no specific provisions for investment institutions in relation to other information. The Wft and BGfo contain a provision indicating that the investment institutions must state in the other information the personal interest that the managers or administrator of an investment institution had in each investment of the investment institution at the start and at the end of the year.

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.