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Norway

Accounting

FUNDS AND FUND MANAGEMENT 2009

1.1 Requirement to produce financial statements

Requirement to maintain the books and records in the local jurisdiction

All accounting records of Norwegian regulated funds must be maintained and updated in the country (Act No. 73 of 19 June 2004 (Bokføringsloven)). Application for carrying out the accounting abroad can be made, but in these cases the fund must return original documentation to Norway within one month after the annual accounts have been presented (Forskrift om regnskapssystem, registrering, dokumentasjon og oppbevaring av regnskapsopplysninger av 06.05.1999 nr. 544). Semiannual and annual accounts must be prepared and all detailed reconciliations (investments, cash, units, etc) must be performed in the country. Documentation regarding the accounting records must be kept in Norway for 10 years.

Production of financial statements by collective investment funds.

Norwegian regulated funds are required to produce annual and semiannual financial statements under the Act No. 52 of 12 June 1981 on securities funds (Lov om Verdipapirfond (Vpfl)).

For security funds, the board of directors of the management company is responsible for the preparation of the financial statements and all members of the board of directors are required to sign the annual report and balance sheet of the annual statements.

Choice of period/year-end for collective investment funds

Norwegian regulated funds must prepare financial statements using the calendar year. It is possible to apply for a different year-end to the Finance Department. The first financial year can be longer or shorter than the calendar year, but not longer than 18 months.

Requirements for comparatives

Comparatives are required for the financial statements. One year is required for the profit and loss account and the balance sheet (RL). In addition it is required to present the yield for the past five years (vpfl §7-1 no. 8).

Restrictions on the currency under which financial statements must be prepared

The financial statements must be prepared in Norwegian Kroner (NOK). Consolidated financial statements can be prepared in a different currency if the main part of the business is connected to this currency.

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

There is one provision of the Act on Accounting (RL) called forskrift om årsregnskap m.m. for verdipapirfond (ÅOF), in addition to the RL and Act No. 52 of 12 June 1981 on securities funds (Verdipapirfondsloven). This provision (ÅOF) regulates what the financial statements of the verdipapirfond must include. The Banking, Insurance, and Securities Commission of Norway (the supervisory authority) publishes infrequent guidance papers dealing with specific accounting topics.

Use of short form accounts

There are no provisions in legislation for short form accounts.

Umbrella schemes

For security funds, financial statements must be prepared for the fund as a whole. According to the Banking, Insurance, and Securities Commission, the information on the sub-fund must be as detailed as for the main fund (vpfl § 7-1). However, this is considered impossible within the existing reporting deadlines. Hence the Norwegian Mutual Fund Association has made an assessment and written a letter of 2 September 2002, to the Banking, Insurance, and Securities Commission, where they suggest that it is sufficient for the funds to report to the unitholders information of the sub-fund's investment policy or the 10 largest investments in the sub-fund. In addition the financial statements will include a note that unitholders, who wish to, can receive on an individual basis a complete set of annual and semiannual reports on the sub-fund when these reports are available. Information on each sub-fund should be included within the fund's accounts.

There is no requirement to produce separate financial statements for each sub-fund. Separate financials for each sub-fund are permitted; however, reference must be made in the financial statements to the other sub-funds.

1.2 Requirement to audit financial statements

The annual financial statements of mutual investment funds require annual audits. Audited accounts must be completed within four months of the year-end (RL & vpfl).

The year-end accounts must be audited by an auditing firm registered under the Norwegian Act of Auditors (Revisorloven av 15 January 1999).

1.3 Publication of financial statements

Mutual funds are required to file their annual financial statements with the Companies Registration Office (Brønnøysundregisteret) at the latest one month after the adoption of the annual accounts.

For annual accounts, within four months of the year end, Norwegian regulated schemes are required to make available their accounts to the public at the management company, custodian, trustee, and places where the funds are being sold. They must be supplied to unitholders free of charge (vpfl § 7-1 (2)). Alternatively, the fund can make an agreement in writing not to send the accounts to the unitholders. The latest annual accounts must be offered to investors' free of charge before the conclusion of a contract.

Mutual funds are required to submit their financial statements to the Banking, Insurance, and Securities Commission of Norway (supervisory authority) within one month after the adoption of the annual accounts.

1.4 Accounting regulations

Provision of the Act No. 52 of 12 June 1981 on securities funds (Verdipapirfondsloven) called forskrift om årsregnskap m.m. for verdipapirfond (ÅOF) regulates what the financial statements of the verdipapirfond must include of this Act on Accounting (RL).

1.5 Contents of financial statements

Requirements for inclusion in annual financial statements:

	Required by law	Required by GAAP (Norway)	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	No	No	No

	Required by law	Required by GAAP (Norway)	Complied with for Best Practice
expenses			
A statement which only includes income less expenses plus realized gains and losses	No	No	No
Statements of assets and liabilities	Yes	Yes	Yes
Statement of changes in net assets	No	No	No
Cash flow statement	No	No	No
Statement of accounting policies	Yes	Yes	Yes
3-year net asset value table *)	Yes	Yes	Yes
5-year net asset value table	No	No	No

* There is a requirement to report redemption price for three years in the disclosures.

1.6 Accounting treatments and disclosures

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

	Required by law	Required by GAAP (Norway)	Complied with for Best Practice
Futures are shown on balance sheet using the grossed up notional amount	No	No	No
Futures are shown on the balance sheet based on the margin outstanding (i.e. the margin paid to date is recognized in the profit & loss account which effectively means that the futures are market to market).	Yes	Yes	Yes
Futures are shown on the balance sheet based on the margin outstanding and the margin paid to date	No	No	No
Organization (adm) costs are written off immediately	Yes	Yes	Yes
Organization costs are	No	No	No

	Required by law	Required by GAAP (Norway)	Complied with for Best Practice
amortized over one year			
Organization costs are amortized over more than one year	No	No	No
Issue costs are charged to the statement of operations/cost	Yes	Yes	Yes
Issue costs are netted off against creation proceeds	No	No	No
Contingent deferred sales charges are recorded as cost	Yes	Yes	Yes
Contingent deferred sales charges are netted off against redemption proceeds	No	No	No
Holdings in other collective investment funds are consolidated if the fund holds > 50% of the underlying collective investment fund's shares	Not regulated	Not regulated	Not regulated
Methods used in financial statement presentation to measure listed investments are:			
Cost	No	No	No
Market value:			
bid	No	No	Yes
mid	No	No	Yes
offer	No	No	No
close	No	No	Yes
price at any time during the day	No	No	No
The financial statements distinguish between income and capital	Yes	Yes	Yes

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:

Accounting pronouncements

The Banking, Insurance, and Securities Commission of Norway (the supervisory authority)

Guidance papers – mandatory- <http://www.kredittilsynet.no>

Regulator

Act No. 52 of 12 June 1981 on securities funds with provisions, Companies Act of 13 June 1997, Act of 17 July 1998 on Accounting with provisions (ÅOF)

<http://www.lovdata.no>

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