

Luxembourg, 15 October 2007

To all undertakings for collective investment

In case of discrepancies between the French and the English text, the French text shall prevail
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CIRCULAR BCL 2007/211

New statistical data collection for investment funds

Modification of the statistical data collection for money market funds

Ladies and Gentlemen,

On 27 July 2007 the Governing Council of the European central bank (ECB) adopted regulation ECB/2007/8 concerning the collection of statistical data on the assets and liabilities of investment funds by the ECB. This regulation completes the existing framework of the ECB's statistical activities that are necessary to allow the European system of central banks (ESCB) to carry out its functions by defining the physical and moral persons subject to reporting obligations, the regime of confidentiality and the necessary execution and sanctioning provisions, according to article 5.4 of the statute of the European system of central banks and the European central bank.

In this context, it should be recalled that regulation ECB/2001/13 concerning the consolidated balance sheet of the monetary financial institutions sector, guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics and the international reserves template already define a number of information requests of statistical nature that concern the sector of undertakings for collective investment.

The complete set of the ECB's requirements in the field of statistical reporting of undertakings for collective investment obeys three essential rules.

First of all, the ECB must receive comparable, reliable and up to date statistical information, collected in similar conditions throughout the whole euro area.

Furthermore, the obligations defined in the regulations must respect the principles of transparency and legal security. The regulations are therefore restrictive and apply directly within the whole euro area. They directly impose obligations to physical and moral persons and allow the ECB to impose sanctions on them if they do not fulfil the reporting requirements imposed on them by the ECB.

The statistical information subject to reporting according to the requirements of the ECB and the minimal norms to be respected are detailed within the aforementioned ECB guideline and regulations. According to these texts the National central banks (NCBs) must submit monthly and quarterly information on:

- stocks of assets and liabilities of money market funds (MMFs)
- stocks of assets and liabilities of investment funds (IFs)
- transactions realised by investment funds on their assets and liabilities

On the basis of the aforementioned ECB guideline and regulations, BCL has developed a data collection system for money market funds and investment funds that is detailed in the present circular.

1 Objectives

On the basis of guideline ECB/2004/15 as well as regulations ECB/2001/13 and ECB/2007/8 of the ECB, BCL has developed a data collection system that is supposed to obey the following objectives.

- complete coverage of the foreseeable requirements of the European central bank in the field of monetary and financial statistics.

It must however be stressed that statistical data collected within other areas will also have to be modified. These modifications, that will be presented later on, concern essentially data referring to the balance sheet of money market funds.

- minimisation of the workload for reporting agents
- consistency with data collected for supervisory purpose.

This consistency, that is not possible for all the information which will be collected, allows the use of supervisory data within the compilation process of the data to be submitted to the ECB and contributes to the quality checking of the data that is collected.

- comparability with the standard ESA 95 (European System of National Accounts 1995). The compliance of the collected data with ESA 95 facilitates its use in the fields of national accounts and balance of payments and should allow avoiding additional inquiries.

2 Principal innovations

Compared to the current statistical data collection, the main innovations concern the reporting population as well as the existing monthly and quarterly data collection for money market funds.

- An important innovation is the introduction of a new category of reporting agents, the UCIs that are not money market funds¹. It should cover all undertakings for collective investment that are not reported on the official list of money market funds regardless whether they are subject to the law of 20 December 2002 or 13 February 2007.

¹ ECB regulation ECB/2007/8 designates these entities by the terms «Investment funds» in contrast to money market funds

- However, small size UCIs or compartments of UCIs are exempted from the quarterly data collection if they submit the monthly prudential report O 1.1 to the CSSF.

Indeed, the aforementioned ECB regulations foresee the possibility to exempt small size reporting agents from the reporting obligations. The exemptions are granted on the basis of the share of a reporting agent's net asset value in the aggregated net asset value of all UCIs or compartments of UCIs.

Given that BCL has to provide information on the different subcategories of UCIs according to the following criteria:

- money market funds (MMFs)
- investment funds (IFs)
 - IFs investing in shares
 - IFs investing in securities other than shares
 - IFs investing in real estate
 - IFs with mixed investments
 - IFs with other investments
 - IFs with alternative investments (hedge funds)

The selection of the compartments of UCIs subject to reporting requirements must be done for each subcategory rather than for the whole population.

The exemptions will be granted as long as the coverage of the data collection will be superior to 95% of the aggregated net asset value of the subcategory. The BCL will revise the list of UCIs or compartments of UCIs that are exempted from quarterly reporting requirements on a regular basis.

- The introduction of a new category of reporting agents also implicates the definition of new statistical reports applicable for this category of reporting agents. Hence, money market funds and investment funds must establish specific statistical reports in order to satisfy the information requests of the ECB.

In order to minimise the burden on reporting agents, BCL has opted for the introduction of a new unique quarterly statistical report for money market funds and investment funds. Indeed, although the ECB distinguishes between money market funds, that belong to the population of the monetary financial institutions, and investment funds, the Luxembourg entities in charge of establishing the reporting of the UCIs, namely the «*administrations centrales d'OPC*», must establish statistical reports for the two categories of reporting agents. Hence, a unique statistical report will be an advantage for the central administrations of UCIs («*administrations centrales d'OPC*»).

- The simultaneous introduction of a security by security reporting and a revised quarterly statistical data collection has allowed the combination of the two demands in order to avoid collecting the same data within two different reporting frameworks. Hence, the new quarterly statistical report for UCIs does no longer require breakdowns for securities held and issued.
These breakdowns are compiled by BCL by enriching the quarterly statistical report with the information stemming from the security by security reporting.

3 Money market funds (MMFs)

In the case of undertakings for collective investment in transferable securities (UCIs), the funds that invest in monetary assets (MMFs) fulfill the agreed conditions for liquidity and are therefore included in the MFI sector. MMFs are defined as those UCIs of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments. The criteria applied in order to identify MMFs shall be derived from the public prospectus as well as fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effects, of the UCIs.

3.1 Criteria of MMF selection

The objective being to obtain a population as homogeneous as possible, it is important that the different countries use identical or at least similar definitions to define the respective subgroups.

For the purpose of the definition of money market funds, mentioned in point 3 "Money market funds" above:

- 1 UCIs shall mean undertakings the sole object of which is the collective investment of capital raised from the public and the units of which are, at the request of the holders, repurchased or redeemed directly or indirectly out of the undertaking's assets. Such undertakings may be constituted according to law, either under the law of contract (as

common funds managed by management companies), or trust law (as unit trusts) or under a statute (as investment companies).

2 bank deposits shall mean cash deposits made with credit institutions, repayable on demand or upon prior notice of up to three months, or at agreed maturities of up to two years, inclusive of sums paid to credit institutions in respect of a transfer of securities under repurchase operations or securities loans.

3 close substitutability for deposits in terms of liquidity shall mean the ability of units of UCIs, under normal market circumstances, to be repurchased, redeemed or transferred, at the request of the holder, where the liquidity of the units is comparable to the liquidity of deposits.

4 primarily shall be deemed to be at least 85 % of the investment portfolio.

5 money market instruments shall mean those classes of transferable debt instruments which are normally traded on the money market (for example, certificates of deposit, commercial paper and banker's acceptances, treasury and local authority bills) because of the following features:

- liquidity, where they can be repurchased, redeemed or sold at limited cost, in terms of low fees and narrow bid/offer spread, and with very short settlement delay
- market depth, where they are traded on a market which is able to absorb a large volume of transactions, with such trading of large amounts having a limited impact on their price
- certainty in value, where their value can be accurately determined at any time or at least once a month
- low interest risk, where they have a residual maturity of up to and including one year, or regular yield adjustments in line with money market conditions at least every twelve months
- low credit risk, where such instruments are either:
 - admitted to an official listing on a stock exchange or traded on other regulated markets which operate regularly, are recognized and are open to the public
 - issued under regulations aimed at protecting investors and savings
 - issued by:
 - + central, regional or local authority, a central bank of a Member State, the European Union, the ECB, the European Investment Bank, a non-

Member State or, if the latter is a federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong

- + an establishment subject to prudential supervision, in accordance with criteria defined by Community law or by an establishment which is subject to and complies with prudential rules considered by the competent authorities to be at least as stringent as those laid down by Community law, or guaranteed by any such establishment
- + an undertaking the securities of which have been admitted to an official listing on a stock exchange or are traded on other regulated markets which operate regularly, are recognized and are open to the public.

On the grounds of this definition, it has been decided to include automatically the UCIs whose investment policy consists of:

- the collective investment in money market instruments: i.e. securities and instruments representing debts, whether or not they are transferable securities, including bonds, certificates of deposit, «*bons de caisse*» and any other similar liquid instruments
- investments in loans and advances to credit institutions
- the UCIs whose objective is the collective investment in money market instruments and/or in bank deposits and who benefit, for the purpose of the calculation of the «*taxe d'abonnement*», from the reduced rate of 0,01% foreseen by the law of 20 December 2002 relating to undertakings for collective investment.

Are also to be included:

- the UCIs that do not benefit from the reduced rate of the «*taxe d'abonnement*» and whose investment policy consists in the investment in money market instruments: i.e. securities and instruments representing debts, whether or not they are transferable securities, including bonds, certificates of deposit, «*bons de caisse*» and any other similar liquid instruments
- the UCIs that pursue an investment policy aiming mainly the investment in liquid or short term assets in order to guarantee the liquidity of their shares for the investors

3.2 List of money market funds

The CSSF establishes the list of money market funds that are reported on the list of monetary financial institutions. The BCL is informed by copy of the mail exchange between the CSSF and the UCIs or compartments of UCIs and is therefore in a position to submit the list of Luxembourg monetary financial institutions to the ECB. The ECB publishes the list of Luxembourg monetary financial institutions, together with the lists of the other European Union member countries.

It goes without saying that UCIs that undertake a modification, either of their investment policy or the marketing of their shares that has an impact on their qualification as monetary financial institution are invited to inform the CSSF as soon as possible.

4 Investment funds (IFs)

The population of investment funds includes all the UCIs that are not reported on the official list of money market funds regardless whether they are subject to the law of 20 December 2002 or 13 February 2007.

The investment funds are split into the following subcategories according to their main investment policy:

- IFs investing in shares
- IFs investing in securities other than shares
- IFs investing in real estate
- IFs with mixed investments
- IFs with other investments
- IFs with alternative investments (hedge funds)

4.1 List of investment funds

The BCL receives descriptive information from the CSSF on the whole population of UCIs and compartments of UCIs allowing it to transmit the list of Luxembourg investment funds to the ECB. The ECB publishes the list of Luxembourg investment funds, together with the lists of the other European Union member countries.

5 Collection of statistical data

The collection of statistical data that applies to all UCIs or compartments of UCIs is limited to statistical purpose and relies mainly on the requests formulated in the aforementioned ECB regulations.

5.1 Regulation ECB/2001/13 concerning the consolidated balance sheet of the monetary financial institutions sector

Regulation ECB/2001/13 defines the concept of money market fund as well as the monthly and quarterly information request applying to money market funds.

According to the aforementioned regulation ECB/2001/13, circular BCL 2002/171, dated 5 July 2002, defined the concept of money market fund in Luxembourg and introduced the monthly and quarterly reporting requirements for money market funds.

This requirement consists of the following statistical reports:

- S 1.3 «Monthly statistical balance sheet for money market funds»
- S 2.10 «Breakdown by country»
- S 2.11 «Breakdown by currency»
- S 2.12 «Breakdown by sectors»

In the context of the introduction of a new data collection for investment funds, BCL has opted for the introduction of a unique quarterly statistical report (see also point 5.2) for money market funds and investment funds. Hence, the existing quarterly statistical reports for money market funds, i.e. S 2.10, S 2.11 and S 2.12, will be abolished with effect of 1 October 2008. The last reports to be submitted to BCL will be those referring to the situation of 30 September 2008.

5.2 Regulation ECB/2007/8 concerning statistics on the assets and liabilities of investment funds

According to regulation ECB/2007/8, BCL must provide the ECB with monthly data on:

- stocks of assets and liabilities of investment funds
- transactions realised by investment funds on their assets and liabilities

In this context, it should be noted that BCL must provide the ECB with information on stocks of assets and liabilities as well as on transactions realised by investment funds on their assets and liabilities for the whole population of investment funds as well as for each of the aforementioned subcategories of investment funds.

The compilation of the data on the different subcategories of investment funds will be made by BCL with descriptive information on the main investment policy of investment funds.

5.2.1 Reporting of stocks

As far as concerns information on stocks, the ECB regulation allows National Central Banks (NCBs) to collect data from investment funds on a quarterly basis. The monthly information that NCBs must provide to the ECB may be estimated using the data collected on a quarterly basis and monthly information on the net asset value.

Therefore, BCL has chosen to introduce a quarterly data collection on stocks whereas the monthly data will be estimated by BCL using the data collected on a quarterly basis and the monthly supervisory reporting (O 1.1) that UCIs and compartments of UCIs must submit to the CSSF.

As mentioned above, BCL has also chosen to introduce a unique report for money market funds and investment funds. It goes without saying that this unique report must cover the information request addressed by the ECB to money market funds and investment funds. Hence, as this report contains information requests addressed to two categories of reporting agents, it may exceed, for some items, the demands formulated in the respective ECB regulations.

With a view to fulfil all the information needs, the new statistical report S 2.13 «Quarterly statistical balance sheet of UCIs» breaks with the tradition of the statistical reports for UCIs that, up to now, were reports characterised by a fixed number of lines and columns. Report S 2.13 «Quarterly statistical balance sheet of UCIs» is a matrix where compartments will break down the country of the counterpart with a 2 digit ISO code, the currency of the transaction with a 3 digit ISO code and the economic sector of the counterpart on the basis of a list of about fifteen available codes. Hence, the size of this report will vary with the diversity of the information to be provided and will no longer be limited to a fixed number of cells.

The advantage of this solution is that such a report contains more basic information and will therefore allow BCL to be more flexible when the information needs of the ECB change in particular due to the enlargement of the euro area and/or the European union.

Finally, it should also be mentioned that the introduction of report S 2.13 «Quarterly statistical balance sheet of UCIs» is combined with the introduction of a security by security reporting of monthly stocks (see also point 5.2.2). Hence, for securities, report S 2.13 does neither require the breakdown according to country and economic sector of the issuer nor the breakdown of the currency and the initial maturity since this information is collected within the framework of the security by security reporting.

5.2.2 Reporting of transactions

As far as concerns transactions realised by investment funds on their assets and liabilities, the regulation does not require to collect them directly from the investment funds. Hence, BCL may estimate transactions:

- on securities as long as it introduces a security by security reporting requesting monthly stocks
- on loans, remaining assets, borrowings and remaining liabilities as long as it has detailed information on the currencies in which these assets and liabilities are expressed

However, BCL does not have the necessary information to estimate transactions and/or to neutralise the changes that do not result from transactions for fixed assets and financial derivatives. In order to meet these needs, BCL must collect information from the investment funds.

The new report S 1.6 « Information on valuation effects on the balance sheet of IFs» allows to gather information on the effects of valuation that affect fixed assets and financial derivatives.

It should be mentioned that this information is only to be provided if the aforementioned items exceed 5% in terms of total assets.

5.3 Statistical reporting to BCL

With a view to fulfil the statistical data collection by the ECB, UCIs or compartments of UCIs must periodically report specific information to the BCL.

This information comprises:

- Security by security reporting
- S 1.3 «Monthly statistical balance sheet for MMFs»
- S 1.6 «Information on valuation effects on the balance sheet of IFs»
- S 2.13 «Quarterly statistical balance sheet of UCIs»

These documents are attached to the present circular in the form of annexes.

5.4 Reporting of money market funds

Money market funds are already subject to data collection by BCL and report monthly and quarterly statistical reports.

From December 2008 onwards, the reporting requirements applying to MMFs will be characterised as follows:

- 1 Monthly statistical reporting S 1.3
All the compartments will have to report the monthly statistical report S 1.3 «Monthly statistical balance sheet for MMFs».
- 2 Security by security reporting
To be reported only by the money market funds that do not benefit from the exemption foreseen under point 2 "Principal innovations" of the present circular.
- 3 Quarterly statistical report S 2.13
To be reported only by the money market funds that do not benefit from the exemption foreseen under point 2 "Principal innovations" of the present circular.

5.5 Reporting of investment funds

For the time being investment funds are not subject to statistical data collection by the BCL.

From December 2008 onwards, the reporting requirements applying to investment funds will be characterised as follows:

- 1 Monthly statistical report S 1.6
To be reported only by the investment funds that do not benefit from the exemption foreseen under point 2 "Principal innovations" of the present circular and that have information to provide for the items foreseen on this report.
- 2 Security by security reporting
To be reported only by the investment funds that do not benefit from the exemption foreseen under point 2 "Principal innovations" of the present circular.
- 3 Quarterly statistical report S 2.13
To be reported only by the investment funds that do not benefit from the exemption foreseen under point 2 "Principal innovations" of the present circular.

5.6 Entities subject to reporting

BCL puts at the disposal of the reporting agents a list of UCIs or compartments of UCIs subject to reporting on its website (<http://www.bcl.lu>).

This list, that will be updated on a monthly basis, indicates for each UCI or compartment of UCI the statistical reports to be submitted while separately identifying the compartments newly-added to the list.

6 Quality of the data transmitted

We should like to stress the importance of the quality of the data transmitted to BCL and the necessity to submit the data to the verification rules detailed in the technical documentation. Only a rigorous control undertaken during data production will allow respecting the quality requirements as well as the reporting deadlines. This point is all the more important since the data collected will be checked by the ECB before aggregating it with the data of the other

Member states. Any error or important negligence will have harmful repercussions on the reputation of the whole community of the Luxembourg monetary financial institutions.

7 Respect of the reporting deadlines

BCL establishes and communicates to the UCIs, by the way of a circular, a list of the exact reporting dates at which the monthly and quarterly statistical reports must be submitted to BCL.

UCIs are reminded that BCL must transmit monthly statistics to the ECB within 15 working days and quarterly statistics within 28 working days following the end of the period which data relates to. Therefore, it is absolutely necessary that reporting agents scrupulously respect the reporting deadlines defined in the present circular in order to allow the BCL to respect its engagements within the ESCB.

8 Setting up of the new data collection

The transmission of this information is mandatory from December 2008 onwards.

Report S 1.3 «Monthly statistical balance sheet for MMFs» is to be transmitted on 14 January 2009 at the latest.

Monthly security by security reporting as well as report S 2.13 «Quarterly statistical balance sheet of UCIs» are to be transmitted on 25 January 2009 at the latest.

The first report S 1.6 «Information on valuation effects on the balance sheet of IFs» refers to valuation changes that occurred in January 2009. It has to be transmitted on 16 February 2009 at the latest.

The present circular replaces and repeals circular BCL 2002/171, dated 5 June 2002, with effect on 1 January 2009.

Yours sincerely

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Annexes: 5

- 1 «Definitions and concepts for the statistical reporting of UCIs»
- 2 List of Monetary Union Member States
- 3 S 1.6 «Information on valuation effects on the balance sheet of IFs»
- 4 S 2.13 «Quarterly statistical balance sheet of UCIs»
- 5 Security by security reporting