

In case of discrepancies between the French and the English text,
the French text shall prevail

Statistical reporting of investment funds

Frequently Asked Questions (FAQ)

Banque centrale du Luxembourg

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1 Introduction

The objective of the document «Frequently Asked Questions» is to answer the questions concerning the interpretation of reporting instructions asked by investment funds and/or to provide additional clarifications for the instructions whenever these are not precise enough.

The update of the «Frequently Asked Questions» is function of requests for clarification made by Investment funds and its publication on the BCL's website should allow to complete the instructions for the statistical reporting of investment funds.

The frequency of updating depends on the questions asked and is done after consultation of the advisory commissions whose function is to ensure a structured and efficient implementation of statistical data collection by the BCL and to establish a permanent dialogue with the investment funds that are subject to reporting requirements.

On the one hand the publication will allow investment funds to find answers to the questions if the latter have already been previously asked by investment funds and on the other hand, it will contribute to improve the consistency of the interpretations of the reporting instructions that may be done.

This new version clarifies specific questions linked to the reporting changes as from December 2014. **The main news are highlighted in yellow.**

2 Reporting test for December 2014

1 Question

Is it possible to send to the BCL reports in the new format for testing ?

2 Reply

Yes

Be careful, do not send the files in the production environment.

The checks are categorised in two steps:

- Control of the filename and of the xml format,
- Control of the content according to the new codifications

The reference periods of the data should be between 2014.06 and 2014.09 for which the BCL test IT system includes data on securities.

3 Question

How to transmit test files to the BCL?

4 Reply

By e-mail

Reporters can transmit files by e-mail to the person in charge of the follow up of the data collection. The BCL can only check a limited number of files (maximum 3 investment funds).

By e-file in the homologation environment:

The 'Service Déposant' can be downloaded from the following address:

<https://homologation.e-file.lu/download/SD.zip>

The reporters may contact directly e-file by sending e-mail to helpdesk@fundsquare.net

The data entry forms are ready.

In order to check the first step (filename and xml format) one or two files for each report (S 1.3, S 2.13, S 1.6 et TPT) are sufficient.

For the second step (contents) the number of files is not limited.

Finally, when you send files in the homologation environment, please inform the person in charge of the follow up at the BCL.

3 Reporting dates

3.1 Compilation of net asset value (NAV) suspended

5 Question

Does the statistical reporting and the security by security reporting have to be provided if the compilation of the net asset value is suspended?

6 Reply

If the net asset value is not available because the compilation is suspended, the statistics of the BCL are compiled by using the last available NAV. Thus, Investment funds should submit the latest available data until the compilation of the NAV restarts.

However, if the CSSF exempts the Investment funds from their reporting obligation as far as concerns the prudential report O 1.1, the Investment funds are also exempted from their reporting obligations vis-à-vis the BCL as far as concerns the statistical and the security by security reporting. In that event, the Investment funds must inform the BCL by e-mail and commit themselves to submit the statistical and the security by security reporting as soon as the exemption granted by the CSSF expires.

3.2 NAV not available at the date of the reporting

The instructions foresee that Investment funds use the latest available NAV for the fulfilment of their reporting obligations.

1 Question

How to establish the reports if the calculation date for the official net asset value is calculated after the final reporting date (i.e.: funds with back-value)?

2 Reply

The basic instructions, as described in the document «Definitions and concepts for the statistical reporting of Investment funds», stipulates that the reports have to be established on the basis of the latest available NAV. Thus, as long as there is no new

NAV available, Investment funds use the latest NAV that has been calculated for the establishment of the statistical reports.

Needless to mention that if a report is based on an old net asset value, it must be updated as soon as the new net asset value is calculated.

It should be noted that the reporting scheme foresees 2 fields for the date:

- the last day of the month the data relate to: 30.06.2014
- the calculation date of the NAV used to establish the data: 31.05.2014

3.3 Different reporting dates for CSSF and BCL reports

For the time being, there are different reporting dates for the prudential reports of the CSSF and the statistical reports of the BCL.

1 Question

Do these differences cause problems when checking the consistency?

2 Reply

Since statistical reports of the BCL may be based on the latest calculation of the net asset value, done for establishing the prudential report O 1.1, the investment funds should not face major problems due to the fact that statistical reports have to be submitted 10 days after the prudential reports.

The investment funds that wish to establish statistical reports when calculating the net asset value for report O 1.1 are free to do so. They may also submit the statistical reports before the 20 working day.

Finally, we wish to recall that the BCL checks the consistency between O 1.1 and SBS reports.

4 Start and end of reporting obligations

4.1 Start of reporting obligations

1 Question

If a investment funds has not yet received its identification codes of the from the CSSF does it have to report with a generic identification code?

2 Reply

No.

The investment funds will start its reporting once it has received its identification codes from the CSSF.

4.2 End of the reporting obligation

1 Question

If a investment funds stops its activities during a given month or on the last day of a given month does it have to provide the statistical reporting for that month?

2 Reply

No.

The reporting obligation stops when the investment funds stops its activities.

Thus, a investment funds that stops its activities during January 2014 or on 31 January 2014 is no longer required to provide statistical reports for January 2014. In the given example the last statistical reporting to provide is the one of December 2013.

4.3 Exemption

3 Question

When investments funds are exempted from the reporting?

4 Reply

The investments funds are exempted from the transmission of statistical reports (TPT and S1.3, respectively TPT, S2.13 and S1.6) in the following cases:

- when the CSSF does not require anymore the O1.1 reports, See FAQ concerning



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O11 reporting (<http://www.cssf.lu>),

- when the net asset value transmitted in the O1.1 report is nil or negative and no amount are recorded as assets.

5 Consistency checks between reports provided to the BCL

1 Question

Does the BCL run consistency checks between statistical and prudential reports?

2 Reply

Yes.

The consistency of the net asset value provided with the monthly prudential report O 1.1 (line 110) and the security by security report (line 2-004000) is systematically checked.

3 Question

Does the BCL run consistency checks between the S 1.3 / S 2.13 report and the security by security report?

4 Reply

Yes.

The BCL systematically checks the consistency of the information provided on the basis of reports S 1.3 / S 2.13 and the security by security report. The verification rules for these reports are described in the compendium of verification rules applicable to these reports.

5 Question

Does the BCL run consistency checks between reports S 1.6 and S 2.13?

6 Reply

No.

There won't be any consistency checks between reports S 1.6 «Information on valuation effects on the balance sheet of investment funds» and S 2.13 «Quarterly statistical balance sheet of Investment funds».

6 Concepts used for country and sector breakdowns in the report S 1.3 / S 2.13 as well as the security by security reporting

1 Question

Are the concepts for country and sector breakdowns in the statistical report S 1.3 / S 2.13 as well as the security by security reporting identical?

2 Reply

No.

In the statistical report S 1.3 / S 2.13 the country and the sector of the counterparts must be reported.

For consistency reasons the country and the sector of the counterparts must also be reported in the part concerning the balance sheet line (*reportedLine*) of the security by security reporting.

However, as far as concerns the securities without an ISIN code the supplementary information requested for country and sector (*issuerId*) always refers to the issuer of the securities.

This distinction must be made for liabilities, namely for short sales of securities as well as for securities issued, for which the detail of the information (country / sector) is not requested in the balance sheet line.

For securities lent and securities transferred to a third party in a repurchase operation, the country and sector correspond to the one of the issuer of the security for the security by security reporting. As these operations do not affect the economic holder of the security, i.e. the investment funds, they do not imply a modification as far as the reporting of these securities in the balance sheet.

7 Securities that have come to maturity and/or been sold

1 Question

If a security has been sold and/or has come to maturity but there is still some interest receivable, is this interest to be reported in the balance sheet line of the security according to the «dirty price» principle?

2 Reply

The general principle for the registration of debt security is that the reported amount (including accrued interest) must be equal to the nominal amount (expressed in nominal currency) multiplied by the dirty price and by the exchange rate of the nominal currency in the reporting currency. That condition must be fulfilled so that the BCL correctly evaluate the monthly transactions.

At maturity date, the nominal amount is nil and the reported amount should be nil too. Therefore the security should not be included in the report S 1.3 / S 2.13 as well as the security by security report.

Likewise, once a security has been sold it must no longer be recorded in the balance sheet of the investment funds and consequently it must not be recorded in the security by security report.

Thus, the interest that is still receivable must not be recorded in the balance sheet line for the securities.

The interest receivable, that should be considered as short term receivable, must be recorded under the item 1-099999 «Remaining assets / Remaining».

8 Securities that have been borrowed and sold short

1 Question

What has to be reported when a security has been borrowed and sold short later on?

2 Reply

The securities that have been borrowed must not be reported as assets held.

However, if they are sold short, these securities must be reported under item 2-002050 with the type of holding 05 «Short sales of securities».

The objective is to make sure that the total amount held by all the security holders is consistent with the amount of securities issued. The securities that have been lent remain on the balance sheet of the economic holder and subsequently must not be reported as securities on the balance sheet of the borrower. If a security is sold short, it is necessary to report it since the counterpart that buys it will report it on its balance sheet as a security holding.

The principle that is applied to borrowed securities also applies to securities bought in the framework of a repo (repurchase agreement).

9 Debt securities issued

1 Question

Which instruments should be recorded under this item?

2 Reply

The item debt securities issued contains all the securities other than shares/units issued by the investment funds.

Indeed, the Luxembourg legislation allows Investment funds to issue securities other than shares/units such as bonds within given legal limits.

These securities, that are debt instruments, must be reported under the item 2-003000 debt securities issued.

10 Financial derivatives

The financial derivatives must be recorded in the items 1-007000 and 2-011000 «Financial derivatives» of S1.3 / S 2.13 report if and only if they have a market value:

1 Question

What amount should be recorded in items 1-007000 and 2-011000 of S1.3 / S 2.13?

2 Reply

Only the financial derivatives that have a market value should be recorded in the aforementioned items in the statistical report S 1.3 / S 2.13.

The recording should be made at market value.

In other terms, the notional amounts of the contracts should not be recorded in items 1-007000 and 2-011000 of report S 1.3 / S 2.13.

3 Question

How should margin deposits made and/or received under financial derivative contracts be classified?

4 Reply

Margin deposits made by Investment funds should be classified in item 1-002000 «Deposits and loan claims» and broken down according to the requested criteria.

Margin deposits received by Investment funds should be classified in item 2-002020 «Borrowings / Borrowings with agreed maturity» and broken down according to the requested criteria.

5 Question

Should the unrealised gains and/or losses on these financial instruments, which are taken into consideration to compile the net asset value, be recorded in the aforementioned items of the report S 1.3 / S 2.13?

6 Reply

Yes.

The unrealised gains and/or losses which are taken into account for the compilation of the net asset value must be recorded in items 1-007000 and 2-011000 of S1.3 / S2.13.

7 Question

Which counterpart sector and country should be recorded for financial derivatives?

8 Reply

When the counterpart of the financial derivative is known (for instance OTC operation), the counterpart sector and country should be recorded. For instance, a forward foreign exchange transaction with a broker should be recorded with the sector "42900 Other financial intermediaries" and the broker's country of residency. When the counterpart is a bank, the sector is "32100 Credit institutions".

When the counterpart of the financial derivative is not known (for instance purchase / sale on an organized market), the market sector and country should be recorded. For instance, a US treasury future holding purchased on Chicago Mercantile Exchange or Chicago Board of Trade should be recorded with the sector "42900 Other financial intermediaries" and the country US.

11 Other assets / other liabilities

1 Question

What are the criteria for determining the counterpart country?

2 Reply

The expenses of the funds paid to management companies should be recorded with the country code of residency of the management companies.

Payables and receivable linked to securities (for instance purchase, sale, reimbursement at maturity, interest receivable after maturity, dividend) should be recorded with the country code of the issuer.

12 Report S 1.6 «Information on valuation effects on the balance sheet of non monetary investment funds»

12.1 Reporting threshold of 5%

The instructions for report S 1.6 «Information on valuation effects on the balance sheet of IFs» stipulate that the reporting of information on valuation effects must only be done if the amount reported for an item exceeds 5% in terms of total assets.

3 Question

Is the 5% rule mandatory or could we provide you with all valuation effects, regardless of their percentage of total assets?

4 Reply

The 5% threshold is a minimum request in the sense that it is mandatory to report information to the BCL if the balance items exceed 5% in terms of total assets.

However, if a investment fund wishes to report information even if the balance sheet items do not exceed 5% in terms of total assets, it is free to report this information to the BCL.

12.2 Compilation of valuation effects

The instructions for report S 1.6 «Information on valuation effects on the balance sheet of IFs» do not foresee a specific compilation method for valuation effects.

This choice is deliberate in order to give Investment funds the possibility to choose the compilation method that suits them best.

1 Question

Is it allowed to use the following compilation formula that is recommended by Deutsche Bundesbank for German Investment funds?

$$\begin{aligned}
 &\text{Net valuation effect} \\
 &= \\
 &[(\text{minimum}(\text{position (t)};\text{position (t-1)}))] * [\text{Price (t)} * \text{Exchange Rate (t)} - \text{Price (t-1)} * \\
 &\quad \text{Exchange Rate (t-1)}]
 \end{aligned}$$

2 Reply

Yes, since the formula is accepted by Deutsche Bundesbank for German Investment funds, the Investment funds established in Luxembourg may use this formula to calculate the net valuation effects to be reported to the BCL on the statistical report S 1.6 «Information on valuation effects on the balance sheet of IFs».

However, the BCL prefers the following formula:

$$\begin{aligned}
 &\text{Net valuation effect} \\
 &= \\
 &[(\text{average}(\text{position (t)};\text{position (t-1)}))] * [\text{Price (t)} * \text{Exchange Rate (t)} - \text{Price (t-1)} * \\
 &\quad \text{Exchange Rate (t-1)}]
 \end{aligned}$$

3 Question

Considering:

- A: acquisition cost t – acquisition cost t-1 = real transactions of the month

- $B: \text{market value } t - \text{market value } t-1 = \text{net valuation effect due to market valuation and exchange rate fluctuation} + \text{real transactions}$

Is it acceptable to compile the net valuation effect on the basis of the following formula:

Net valuation effect

=

$B - A$

4 Reply

Yes, since this formula neutralises the real transactions in the difference of the market values in month t and month t-1, it allows to deduct the net valuations effect.

5 Question

For the unrealised gains and/or losses on the financial derivative instruments, which are taken into consideration to compile the net asset value, is it allowed to calculate valuation effect by the difference between the unrealised result in the current report and the unrealised result from the previous report?

6 Reply

Yes.

13 Security by security report

13.1 Types of coupons associated to debt securities

1 Question

What is the type of coupon associated to debt securities?

2. Reply

The principle of the classification of the type of coupon for a given security is to be established at the first introduction in the reporting. The type of coupon stays identical during the life of the security.

2.1. Type of coupon: fixed

This type of coupon is applied to the debt securities for which the coupon rate is fixed during the life of the bonds.

2.2. Type de coupon: stepped

It includes debt securities for which the coupon rate is changed after an initial period, upwards (*step up bonds*) or downwards (*step-down bonds*).

2.3. Type de coupon: floating

The type of coupon floating is restricted to debt securities for which the coupon is based on an interest rate which may vary during the lifetime of the debt securities.

2.4. Type of coupon: zero coupon

PIK bonds (Pay-In-Kind) not paying coupon are assimilated to zero coupon bonds.

2.5. Type of coupon: index-linked

This type of coupon includes in particular inflation-indexed bonds, bonds linked to a basket of securities, commodities / indexes (index liked bonds).

2.6. Type of coupon: Other

This type of coupon includes in particular:

- fixed rate coupons becoming floating rate coupons
- coupon rates linked to an exchange rate between currencies

13.2 The «pool factor»

1 Question

Is it mandatory to record the «pool factor»?

2 Reply

Yes, if the pool factor does not apply to a security, the default value to be recorded is «1».

13.3 Perpetual bonds

1 Question

How should the final maturity date of a perpetual bond be recorded?

2 Reply

For the securities without an ISIN code the final maturity date to be recorded is 1/1/2999.

For the securities with an ISIN code the recording of the final maturity date is not requested.

13.4 Unique character of ISIN codes reported

1 Question

Is it possible to report several times the same ISIN code under the same item and for the same type of holding?

2 Reply

The current reporting instructions do not request that a given ISIN code must be unique in the security by security reporting. Hence, as far as concerns the reporting instructions, reporting agents are indeed allowed to report the same ISIN several times.

However, for the calculation of transactions, the BCL needs a unique identifier in order to calculate the difference of quantities between two months of reporting.

For securities quoted in percentages, this unique identifier is the ISIN code reported jointly with the currency of the nominal amount (*nominalCurrency*). For securities quoted in currency, the unique identifier is the ISIN code.

In the event a reporting agent reports several “unique identifiers”, these data will be aggregated when data are loaded in the BCL database. Therefore, the BCL will not be able to see the original report. In the event of questions about these data, the BCL will refer to the aggregated data. The reporter will have to check detailed data.

In this context, the BCL encourages the reporting agents to report aggregated data using the unique identifier.

13.5 Debt securities for whom the issuer does no longer pay the coupons

1 Question

What coupon rate should be recorded for securities other than shares for whom the issuer does no longer pay the coupons?

2 Reply

The coupon rate to be recorded remains unchanged and is the one attached to the coupon.

However, reporting agents are requested to modify the frequency of the coupon and to record the code «99» for the frequency «Other».

In addition, the date to be recorded for the last coupon payment is the date where the last real coupon payment has been made.

14 Sanctions in case of non compliance with reporting obligations

1 Question

What are the possible sanctions in case of non compliance with the reporting obligations?

2 Reply

The regulation (EC) no 1073/2013 of the European central bank of 18 October 2013 concerning statistics on the assets and liabilities of investment funds (ECB/2013/38) stipulates that the ECB's sanctions regime laid down in Article 7 of Regulation (EC) No 2533/98 will apply to investments funds.

Article 7 Imposition of sanctions

- 1 The ECB shall have the power to impose the sanctions set out in this Article on reporting agents which are subject to reporting requirements and residing in a participating Member State and which fail to comply with the obligations resulting from this Regulation or from ECB regulations or decisions defining and imposing the ECB's statistical reporting requirements.
- 2 The obligation to transmit certain statistical information to the ECB or to the national central banks shall be deemed to have been infringed if:
 - a. no statistical information is received by the ECB or national central bank by the established deadline; or
 - b. the statistical information is incorrect, incomplete or in a form not complying with the requirement.
- 3 The obligation to allow the ECB and the national central banks to verify the accuracy and quality of the statistical information submitted by reporting agents to the ECB or national central bank shall be deemed to have been infringed whenever a reporting agent obstructs this activity. Such obstruction includes, but is not limited to, the removal of documents and prevention of physical access by the ECB or the national central bank which is necessary for them to carry out their verification task or compulsory collection.
- 4 The ECB may impose sanctions on a reporting agent as follows:



- a. in the event of an infringement as defined in paragraph 2 (a), a daily penalty payment not exceeding EUR 10 000, with the total fine not exceeding EUR 100 000
 - b. in the event of an infringement as defined in paragraph 2(b), a fine not exceeding EUR 200 000
 - c. in the event of an infringement as defined in paragraph 3, a fine not exceeding EUR 200 000.
- 5 The sanctions set out in paragraph 4 shall be additional to the obligation on the reporting agent to meet the costs of the verification and compulsory collection procedure as required in Article 6(3).
- 6 In exercising the powers provided for in this Article, the ECB shall act in accordance with the principles and procedures as set out in Regulation (EC) No 2532/98.