

# International Financial Reporting Standards European investment fund survey January 2010

IFRS for investment funds, an undiscovered  
opportunity for harmonization



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## Abbreviations and key

The following terms and styles of abbreviation are used in this survey:

European countries	Countries included in the survey as listed in Appendix A unless otherwise indicated GAAP
GAAP	Generally Accepted Accounting Principles/Practice
Investment fund	A collective term for any investment entity (irrespective if structured as a limited liability company, limited partnership, or trust).
Supervisor	Supervisor or regulator

# Introduction and objectives of the survey

## 1

Ever since the events of summer 2007 when the world's credit markets seized up, the importance of financial reporting has been thrown into the spotlight and debated by a multitude of constituents from the individual investors to the leaders of the world's largest economies. The events also had a profound impact on the asset management industry and, in particular, hedge funds received considerable criticism.

This survey explores the application of accounting standards, in particular, International Financial Reporting Standards (IFRS) by investment funds across Europe.

The messages from the leaders of the G20 in April and September 2009 were clear when they called on accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning, and to achieve a single set of high-quality global accounting standards. In response to this, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB), the world's two most recognized standard setters, reaffirmed their commitment to the overall goal of seeking convergence between IFRS and US generally accepted accounting principles (US GAAP). In July 2009, the Report of the Financial Crisis Advisory Group (FCAG) included the statement: "We believe that confidence in the transparency and integrity of financial reporting is critically important to global financial stability and sound economic growth." The FCAG was formed at the request of the IASB and the FASB in January 2009, to consider financial reporting issues arising from the crisis. In the report, they also called for national governments, financial market participants, and the global business community to support the development of a single set of high-quality accounting standards and all national governments, that have not already done so, to set a timetable that is both practicable and firm for adopting or converging with IFRS. This report explores the views in the future application of IFRS by investment funds.

The adoption of the Undertaking for Collective Investment in Transferable Securities IV Directive (UCITS IV)<sup>1</sup> by the European Parliament in January 2009 provides further evidence that governments have an increasing focus on the harmonization of the European fund industry. Although the UCITS Directive highlights the importance of annual reports and explicitly states that UCITS funds must prepare annual reports, it does not make reference to any specific accounting standards or convention, but rather sets out the minimum content of annual reports for such funds. In summary, this includes a balance sheet, a detailed income and expenditure account, a report on the activities of the financial year and certain other disclosures including information which will enable investors to make an informed judgment on the development of the activities of the UCITS and its results. IFRS will certainly provide much of the information required.

In addition, the IASB's moratorium on issuing new standards and interpretations with an effective date between 1 January 2006 and 31 December 2008 has now passed, we will explore the industry's readiness for the application of some of the many new IFRSs impacting 31 December 2009 reporting.

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1. Directive 85/611/EEC relating to undertakings for collective investment in transferable securities (UCITS), as amended.

In summary, the objectives of this survey were to gain an understanding of:

- ▶ The rules in the various European countries regarding the external reporting by investment funds and whether IFRS is mandatory, allowed or will be adopted in the (near) future
- ▶ The view of the European supervisors on the acceptance and application of IFRS by investments funds
- ▶ The awareness and appreciation of European investment fund managers and fund administrators with respect to IFRS

The survey also explores some of the issues associated with transition to IFRS, ongoing issues of applying multiple accounting standards in some countries, as well as current and upcoming accounting issues that are having a significant impact on the investment fund industry.

This report also explores how views and attitudes have changed since the last time we undertook a similar survey in 2003.

This Ernst & Young report displays the outcome of the survey, which took the form of meetings with investment fund managers, fund administrators and supervisors. We believe that the outcome of this survey is intriguing and will be of interest to all parties involved.

What is evident from the responses is that, despite the fact that IFRS has been in existence for some time, individual countries within Europe are at very different stages of adopting IFRS. The survey also highlights that despite significant steps being made with the introduction of the European Passport for UCITS, similar progress has not been achieved in respect of financial reporting for investment funds.

We would like to thank all survey participants for their contribution and look forward to working with you again in future years as we continue to map the progress of the application of IFRS for investment funds in Europe.



Joost Hendriks

EMEIA Asset Management Assurance Practice Leader

# Executive summary

## Origins of IFRS

A single set of global financial reporting standards has been under development for more than three decades since the International Accounting Standards Committee (IASC) was first established in 1973. Today, the suite of standards comprises International Accounting Standards (IAS), which were first issued by the IASC and, subsequent to April 2001, IFRS issued by the IASC's successor, the IASB and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The IASC Foundation and IASB's objective is "to develop a single set of high-quality, understandable and enforceable accounting standards to help participants in the world's capital markets and other users make economic decisions". The IASB also seeks to "co-operate with national standard setters to achieve convergence in accounting standards around the world."

It was not until 2005, when the European Commission's required public companies reporting within the European Union (EU) to prepare consolidated financial statements compliant with IFRS, that IFRS began to be widely applied around the world. With that, the IASB made significant progress in achieving its goal.

## Law and regulations

Despite the increasing pressure to adopt a single set of accounting standards, there are limited opportunities for investment funds to apply IFRS in European countries. Regulated funds are allowed or required to apply IFRS in 14 out of the 44 countries, compared with unregulated funds where 17 of 44 are allowed or are required to apply IFRS in their financial statements. The results of this survey show that there

have been very few developments since 2003 when Ernst & Young undertook a similar survey. The responses to the survey suggest any future application of IFRS by investment funds in the other European countries may take a significant amount of time to succeed and for some countries this is not yet high on the agenda of priorities. Until now, the application of IFRS has been focused on those presenting consolidated financial statements and in a majority of cases a fund's financial statements relate to a single entity. It would appear, therefore that comparable financial reporting for investment funds in accordance with IFRS within Europe is not expected in the near future.

The results of our survey also suggest that there are no significant developments in accounting legislation on a European level for the investment fund industry that would require the application of IFRS. If individual countries continue to mandate local accounting standards, this could prevent fund managers pursuing consistent application of IFRS for all of their investment funds under management across Europe. For the global fund manager, this may present even greater issues as more countries outside Europe fully embrace the use of IFRS.

## View of the European supervisors

The view of the European supervisors, responsible for the supervision of investment funds is very mixed when it comes to the application of IFRS. However, the majority (79%) of the supervisors interviewed stated they will continue to allow the use of alternative, mainly local, accounting standards for the preparation of investment fund's financial statements. This is despite the fact that a majority of

European supervisor's in countries that apply IFRS noted that IFRS improved the quality of the financial statements. It is particularly surprising therefore, that the subject of IFRS does not appear to be high on the agenda of many other European supervisors.

The Committee of European Securities Regulators (CESR) has identified the consistent application of IFRS by a UCITS fund as a priority issue, but a unified approach by all European supervisors is not yet within reach.

## View of the investment fund industry

The most striking result from our interviews with asset managers and fund administrators was the mixed view and mixed approach within Europe. Only 22% of respondents who currently have the option of applying IFRS, exclusively use IFRS in the preparation of financial statements. A further 20% choose to use a combination of IFRS and other accounting standards (mainly local GAAP or US GAAP) in the preparation of financial statements. A common theme from those responses was that IFRS was really only used when it was mandatory to do so i.e., local regulation did not allow the use of any other accounting standard or the funds were listed on an EU exchange.

Nevertheless, 74% of the respondents were of the opinion that IFRS will become the European standard for financial reporting and 48% stated that the conversion to IFRS has significantly improved the quality of financial reporting of funds.

What is clear from the results is that if there is a major push to make the use of IFRS mandatory in more countries, the effect should not be underestimated. 50% of respondents indicated that the conversion

had either a very significant, or significant, impact on them. Major areas of concern for funds converting to IFRS included additional training for staff and the expected changes in accounting systems.

In general, converting entities first applied IFRS in their December 2005 financial statements. It was expected that a significant amount of work would be required for those entities converting and the IASB announced a moratorium on new accounting standards until 1 January 2009. Fortunately, the only significant standard to become effective during this period (from the perspective of an investment fund) was IFRS 7 - *Financial Instruments: Disclosures*, which was initially released prior to the moratorium. Managers and administrators are now applying new and revised accounting standards, with an effective date of 1 January 2009, as the moratorium is over. A small minority chose to adopt some of these changes early; for the majority, the impact will be felt in the 31 December 2009 reporting period. Clearly some changes will have a greater impact than others and this will vary depending on the type of fund. Only 39% of respondents stated that they were either very prepared or prepared for the future changes to IFRS, while 31% had not yet considered the impact. IFRS 7 - *Financial Instruments: Disclosures* continues to be an area of concern and there were mixed views as to whether the recent amendments really provide useful information for investors.

Finally, it was very evident from the responses that respondents had some very strong views on both the benefits and drawbacks of applying IFRS.

### **What is the investment fund industry saying?**

The current position of the European Commission is that they continue to allow Member States to reach their own conclusions as to whether IFRS should be mandated for regulated companies and institutions. The results of this survey appear to indicate that there is no rush by Member States to mandate the use of IFRS for investment funds.

The European Fund and Asset Management Association (EFAMA) is the representative association for the European investment management industry. In June 2007, EFAMA published its discussion paper *International Financial Reporting Standards: application to investment funds*. In this report, it stated that: "EFAMA supports the convergence progress but considers that, in general, US standards are more appropriate to open-ended investment funds than existing IFRS. Indeed, the US standards have been tailored to mutual funds and to investors' needs, and are more in line with practices not only in Europe but also in the rest of the world."<sup>2</sup>

The subject of financial reporting is not just a European issue and EFAMA are not the only major organization to have

concerns over the application of IFRS for investment funds. The International Investment Funds Association (IIFA)<sup>3</sup> commented in 2007 at their 21st annual meeting on the application of IFRS stating: "IIFA delegates resolved, on behalf of their member organizations, to support the development of a consistent worldwide regime for investment fund financial reporting that provides meaningful information to investors. In this context, IIFA members agree that the current IFRS does not presently provide a satisfactory basis for investment fund financial reporting. Delegates are of the view that some of the provisions are contrary to sound and long-standing practices for meaningful investment fund reporting. Investment fund reporting should be focused on the needs of investors and improving their ability to make informed investment decisions. In order to achieve this, financial reporting standards need to take into account and reflect the unique characteristics of pooled investment funds."

The Investment Company Institute (ICI) is the national association of US investment companies. In April 2009, in response to the Securities Exchange Commission (SEC) Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by US Issuers; File No. S7-27-08<sup>4</sup>, the institute issued a letter to the SEC. In this letter, the ICI supported the proposal that investment companies be

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2. International Financial Reporting Standards: application to investment funds an EFAMA discussion paper - June 2007

3. IIFA is an international association of national associations representing fund sponsors around the world. The IIFA conference statement is available at: [http://www.ifsa.com.au/documents/2007\\_1102\\_FINAL%20COMMUNIQUE.pdf](http://www.ifsa.com.au/documents/2007_1102_FINAL%20COMMUNIQUE.pdf)

4. <http://www.ici.org/pdf/23405.pdf>

excluded. The ICI stated that: "US GAAP as applied to investment companies reflects the unique characteristics of pooled investment vehicles.<sup>5</sup> In contrast, IFRS does not provide accounting standards or guidance specific to the investment company industry. Accordingly, investment companies would apply the same financial reporting standards followed by general corporate enterprises and their financial statement presentation would appear very similar to that of corporate entities. As a result, fund financial statements prepared under IFRS would less clearly reflect the nature of the fund's investing activities and thus would be far less meaningful to shareholders than those prepared under US GAAP."

It is also apparent that while organizations look for harmonization across their various offerings and internal structures, this does not extend to the financial reporting of their investment funds.

### **Our conclusions**

When we undertook a similar survey in 2003 prior to the anticipated transition to IFRS we concluded that: "Legislation, supervisors and the investment fund providers do not proactively support the application of IFRS for investment funds. Nevertheless, there is an urgent demand for a single market where transparency, consistency in information and a coherent infrastructure exists. Both the industry

and the European supervisors should realize that their current views, policies and actions contradict the need for a single market in Europe. In our opinion, a reversal of attitude towards IFRS for investment funds should therefore be seriously considered." Despite the calls for a set of high-quality global accounting standards, our conclusion based on this survey remains unchanged. In the last six years there has been very little development in respect of uniformed financial reporting for investment funds.

It is very clear that the industry has concerns with the application of IFRS and specific rules for investment funds similar to US GAAP would help in addressing those concerns. However, we believe the failure to mandate IFRS across Europe or where the option exists the choice of funds not to apply IFRS are lost opportunities. We recognize that any transition to IFRS will create additional work and no doubt increase costs in the short term; however, all industry participants (regulators, asset managers, investors, etc.) would soon benefit from the uniformed financial reporting in future years. Asset management companies and fund administrators are constantly looking to optimize operations and maximize returns. A single set of financial reporting standards will help achieve this by allowing entities to implement a single reporting platform, which could be centralized providing operational efficiencies.

In order to effectively compare European investment funds, it is essential that the financial reporting be aligned. While we acknowledge that there are concerns regarding the application of IFRS to all investment funds, specific industry rules may be possible. The fund industry should look to what has been achieved by the insurance industry's with the development of insurance specific rules. We therefore call on the industry to fully support such an initiative. In order for this to be achieved, we believe that the investment funds industry, via the bodies that represent it, should constructively work together with the IASB on matters affecting the industry.

5. US GAAP provides industry - specific accounting standards and guidance, in addition to the general authoritative accounting pronouncements. The AICPA Audit and Accounting Guide - Investment Companies describes fund industry-specific guidance and standards.

# Scope, methodology and participants

## 3

The survey was conducted by 44 European Ernst & Young practices in Europe. Each participating office was requested to describe the current legislation and proposed legislation in relation to IFRS reporting for various types of investment funds in their jurisdiction. Furthermore, a significant number of interviews were conducted with various fund managers, fund administrators and local supervisors.

The countries included in the survey are:

Albania	Finland	Jersey	Romania
Austria	France	Latvia	Russia
Azerbaijan	Georgia	Lithuania	Serbia
Belarus	Germany	Luxembourg	Slovakia
Belgium	Greece	Macedonia	Slovenia
Bulgaria	Guernsey	Malta	Spain
Croatia	Hungary	Moldova	Sweden
Cyprus	Iceland	Netherlands	Switzerland
Czech Republic	Ireland	Norway	Turkey
Denmark	Isle of Man	Poland	Ukraine
Estonia	Italy	Portugal	United Kingdom

# Law and regulations

## 4

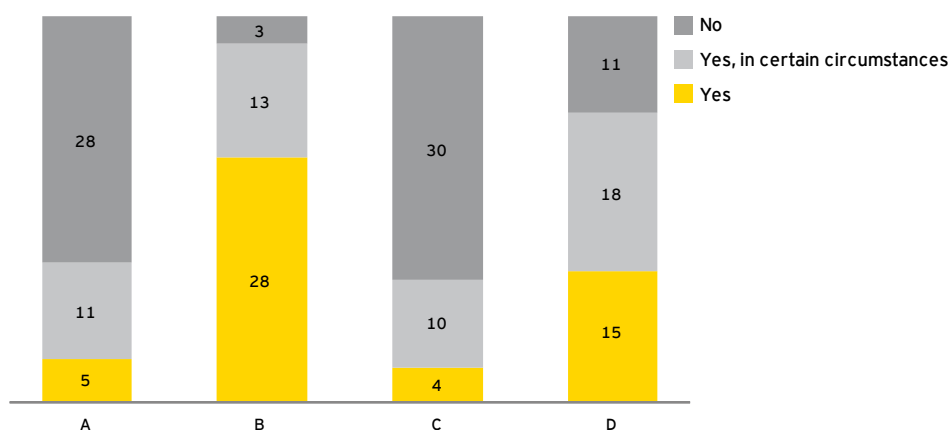
### Key findings

- ▶ 5 countries surveyed mandate IFRS for regulated funds
- ▶ 23 countries surveyed allow regulated and/or listed investment funds to apply IFRS
- ▶ In 13 countries additional disclosure is required over and above the IFRS disclosure
- ▶ Most countries still mandate the use of a local GAAP

### Application of IFRS in general

In general, IFRS was first applied by entities in their December 2005 financial statements, coinciding with the date companies listed on EU exchanges were required to report using IFRS for their consolidated financial statements. However, before understanding the rules surrounding the application of IFRS for investment funds, it is important to understand the position in general terms of the countries taking part in this survey.

The chart below shows the number of countries included in the survey where IFRS is required or may be applied in the consolidated financial statements of non-listed groups and companies.



A - Is IFRS **required** when preparing the consolidated financial statements?

B - Is IFRS **permitted** when preparing the consolidated financial statements?

C - Is IFRS **required** when preparing the entity (separate) financial statements?

D - Is IFRS **permitted** when preparing the entity (separate) financial statements?

Use of IFRS varies from country to country; however, many countries stipulate that the use of IFRS is only allowed for certain types of entities. Typical examples of the criteria used to determine if IFRS may be used includes: consolidated financial statements of groups and companies over a certain size, specific financial institutions (e.g., banks), or, required/permitted use for all entities but excluding specific other entities such as charities.

It is surprising that the number of countries that accept IFRS for non listed entities is not higher, particularly given that IFRS has been mandated for the consolidated financial statements of listed entities in the EU since 2005.

## Application of IFRS for investment funds

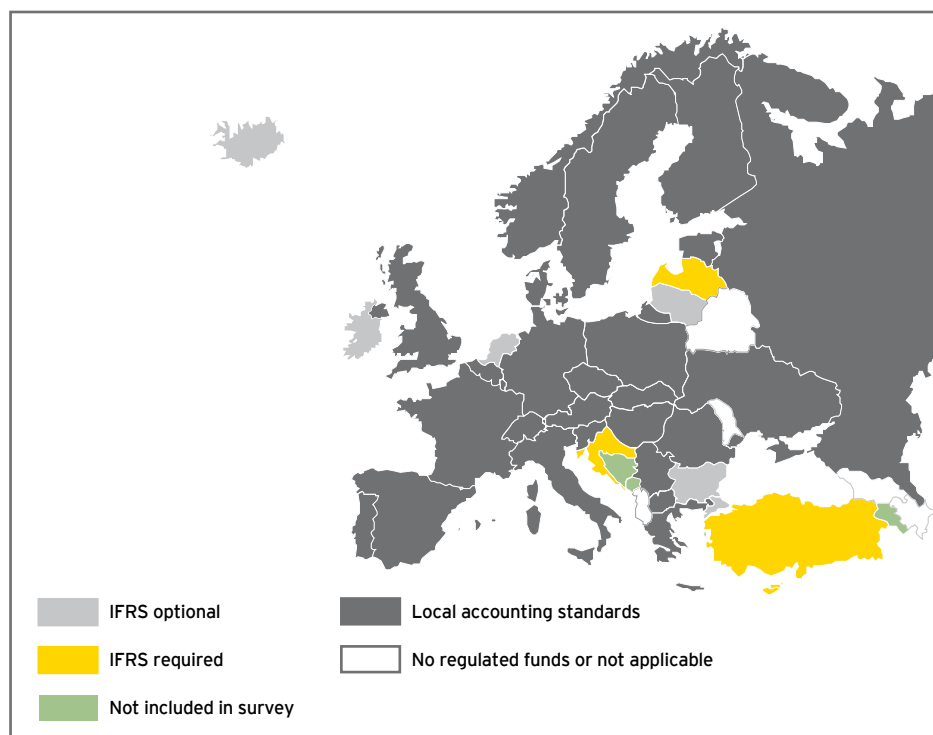
The application of IFRS for investment funds varies depending on whether the fund is listed, regulated or unregulated, much like the distinction made between listed and unlisted groups and companies.

The European maps below highlight for each category of investment fund included in this survey whether the financial statements should be prepared using either:

- ▶ IFRS is required
- ▶ IFRS is an allowed option
- ▶ Local accounting standards must be applied
- ▶ The question is not applicable if local legislation does not allow that particular fund category

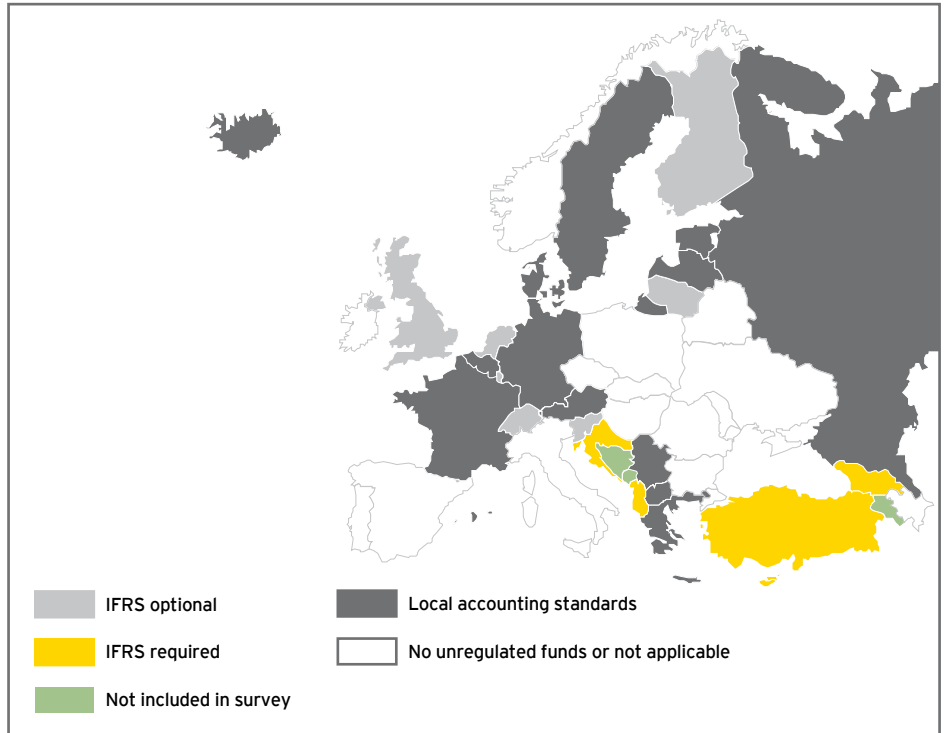
Specific country information can be obtained in the appendix.

### *Regulated funds*



From the above illustration, it is clear that, for regulated funds, IFRS is only required to/ may be used by a small number of countries. Only 5 European countries included in the survey mandate the use of IFRS, while only 13 countries in total allow the use of IFRS. None of the more significant markets for regulated funds mandate the use of IFRS (e.g., France, Germany, Ireland, Luxembourg or the United Kingdom). Of the more significant markets, only Ireland and Luxembourg allows the use of IFRS; however, in the case of Luxembourg, its use is an exception rather than normal practice and permission must be obtained prior to using IFRS for financial reporting.

### Unregulated funds

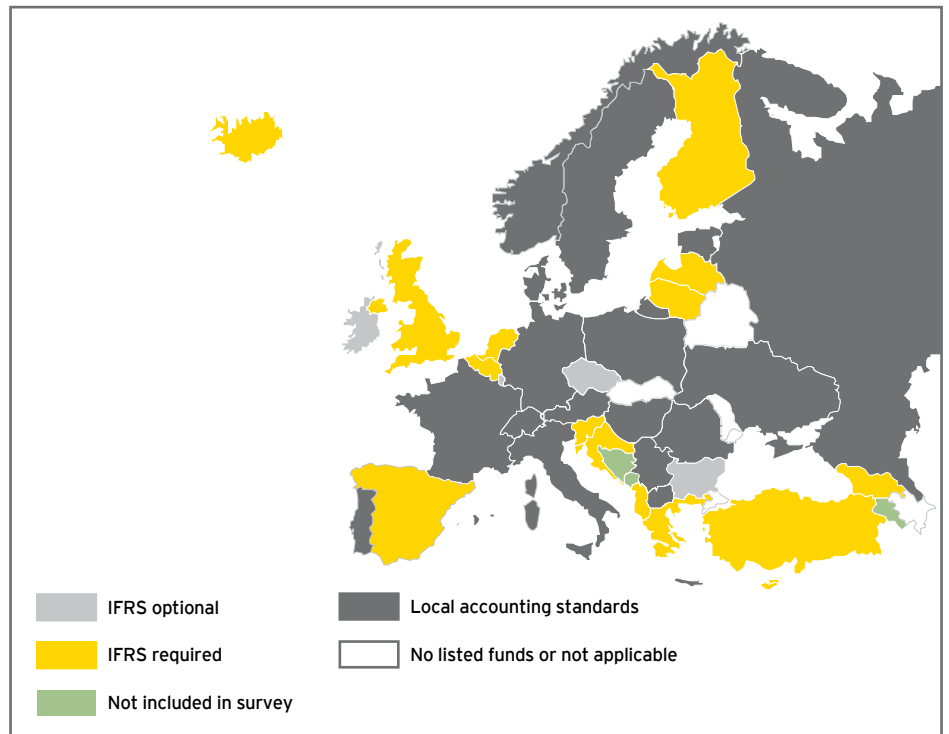


There are not many differences relating to financial reporting for countries with both regulated and unregulated markets. However, some differences exist. In Finland, Netherlands and the United Kingdom, unregulated funds can use IFRS for financial reporting even though it is not permitted for regulated funds. Conversely, in Iceland and Latvia, unregulated funds are not permitted to use IFRS for financial reporting, even though it is permitted for regulated funds.

A small number of countries maintain flexibility about which financial reporting standards regulated and unregulated funds use. These countries include: Guernsey, Isle of Man, Jersey and Luxembourg.

Croatia, Cyprus, Malta and Turkey are the only countries that mandate the use of IFRS for both regulated and unregulated funds.

### Listed funds



The most striking result from the survey is that, although there is an expectation that investment funds listed on a European stock exchange will report using IFRS, or IFRS as endorsed by the European Union, this is not the case (as the map above illustrates). IFRSs must go through due process of endorsement before becoming law in the EU. Certain countries with public exchanges still do not mandate investment funds to use IFRS and many still prohibit its use. The most notable of these include France, Germany and Italy where the investment fund financial reporting requirements are still dictated by local accounting standards.

Countries such as Guernsey, Ireland, Isle of Man, Jersey and Luxembourg allow the same flexibility of choice for listed funds as they do in the regulated and unregulated markets.

## Additional financial reporting requirements

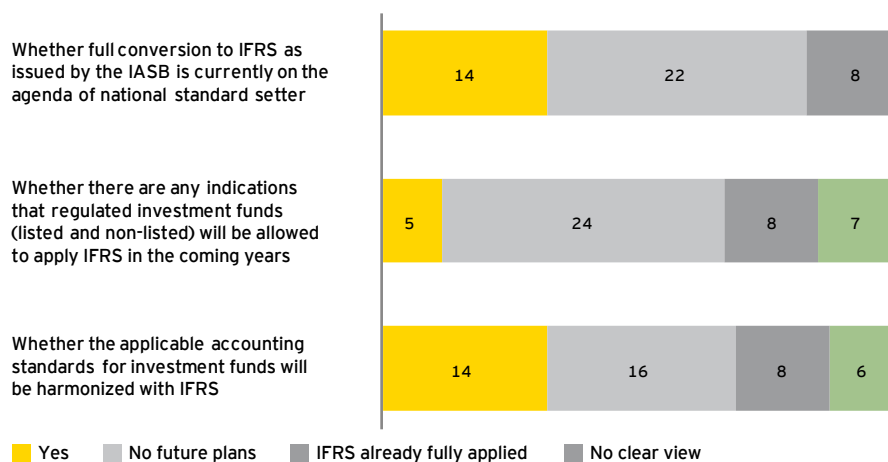
The investment fund industry and those responsible for its supervision have regularly stated that IFRS does not provide the key information which they believe is important to the investor. Therefore, we wanted to understand whether there are additional mandatory financial reporting requirements beyond IFRS in the surveyed countries.

Of the 23 countries surveyed that allow regulated and/or listed investment funds to apply IFRS, the regulator in 13 of those countries requires additional information over and above the IFRS disclosures. The additional information varies from one country to the next. Examples of additional disclosure requirements include: portfolio statements, reconciliation of unrealized and realized gains and losses, historical Net Asset Value and additional expense analysis.

## Anticipated future of IFRS application

We wanted to understand whether there are any developments that indicate that regulated investment funds will be allowed to apply IFRS in the near future.

The following graph illustrates the number of countries considering harmonizing national accounting standards with IFRS, as well as whether they will be able to apply IFRS in the future.



Firstly, we have asked the respondents in each country if the full adoption of IFRS as issued by the IASB is stated on the agenda of the national standard setter. A total of 32% of the countries have indicated that they will harmonize local GAAP to IFRS in the near future. For example, Albania, Cyprus, Georgia, Malta and Turkey have already fully adopted IFRS as the local standard and Guernsey, Jersey and Isle of Man fully adopted IFRS as one of the applicable standards but will continue to allow alternative accounting standards.

We also asked if there are indications that investment funds under supervision will be allowed to apply IFRS in the coming years. The results were similar to those for the previous question. However, individual responses for the fund industry do vary, with nine countries providing a different answer to that of the national agenda. For example, the standard setter of Denmark has placed full adoption of IFRS on the agenda, but they do not expect IFRS will fully apply for investment funds. In fact, in several countries, listed investment funds (and other financial industry companies) have to apply different accounting standards when compared with other companies.

There were also some surprising results comparing the results of this question in the 2003 survey to those responses this year for the 22 countries which originally took part. In 2003 Jersey, Guernsey and Luxembourg applied IFRS for regulated investment funds and in 2009, of the original 22 countries, Ireland and the Netherlands now also allow the use of IFRS for regulated investment funds. It was interesting that five participants of the 2003 survey have changed their view and foresee that there will be no opportunity to apply IFRS in the coming years.

Finally, we wanted to understand whether harmonization of local accounting standards IFRS for investment funds is on the agenda. 32% of the countries intend to harmonize their local accounting standard for investment funds, which is broadly consistent with national harmonization programs.

### **Our conclusions**

The application of IFRS by the investment fund industry remains very limited. In 2003, it was anticipated that 11 of 22 countries surveyed at the time would allow the use of IFRS in the 2005 financial statements. However, of those included in the 2003 survey, it was interesting to note that both Norway and Portugal still require financial statements to be prepared under local GAAP despite their original intention to convert to IFRS. Therefore, in our opinion, no significant developments have been made since our previous report in 2003.

Even with all the pressures to have a comparable set of global accounting standards the European investment fund industry has been slow to adopt a uniform set of accounting standards. In our opinion, UCITS IV would have been an ideal opportunity to address this issue; however, this opportunity was not used. Therefore, the benefits of a uniform set of accounting standards are not being realized.

# View of the European supervisors

## 5

This chapter presents the results from interviews with the countries' supervising bodies.

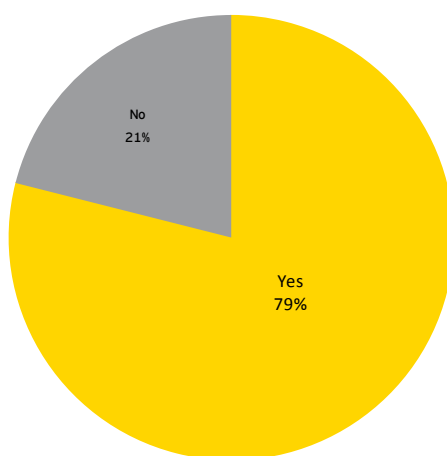
### Key findings

- ▶ Local supervisors interviewed do not intend to mandate that investment funds use IFRS
- ▶ 79% of supervisors interviewed stated they anticipate allowing alternative GAAPs
- ▶ Only a minority of supervisors interviewed feel the use of alternative accounting standards has a significant impact on their ability to monitor investment funds
- ▶ 55% of supervisors interviewed agree that IFRS results in improved financial reporting

### Acceptance of IFRS

In chapter 4 of this report, we explored the acceptance of IFRS as a reporting basis for investment funds. What is clear from the results is that currently IFRS is only mandated or allowed in a small number of countries. We wanted to explore, from the perspective of the supervisors, whether the use of alternative accounting standards will continue to be allowed and what issues that will present.

We asked: "Will the use of alternative GAAPs continue to be allowable?"

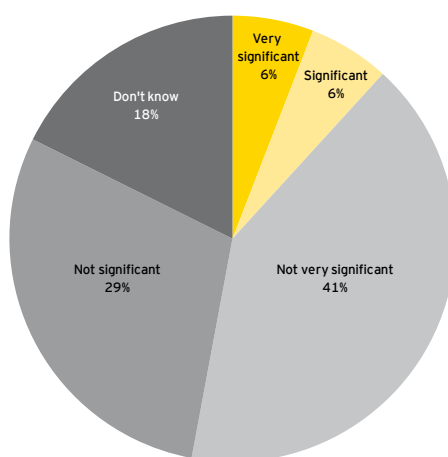


Less than a quarter of the supervisors interviewed anticipate that only IFRS will be allowable in the near future - most of these countries already apply IFRS. Despite the increasing pressure for a single set of global accounting standards, there appears to be no intention for individual regulators to mandate the use of IFRS.

### Impact on the supervisor of accepting multiple accounting standards

The results have shown us that although local accounting standards are the most widely applied, the acceptance of IFRS has increased marginally in the last few years. What is interesting is the number of jurisdictions that allow multiple accounting standards. It is our view that preparers and users of financial statements will benefit from a single global set of accounting standards which IFRS will achieve.

To understand the views on the use of multiple accounting standards in individual countries we asked those supervisors' that allow multiple GAAPs: *"What impact does the ongoing use of alternative accounting standards have on the effectiveness of the supervisor's ability to monitor investment funds?"*



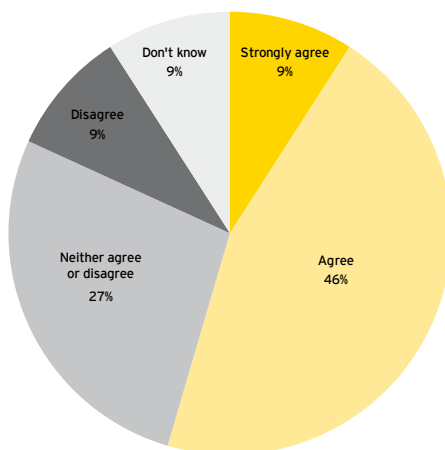
The results show that the impact is not considered to be that significant. Some of the reasons offered to explain this included:

- ▶ The number of funds using IFRS is very small. If the numbers were to increase, the impact will increase
- ▶ IFRS and local GAAP have become more aligned in recent years
- ▶ The supervisors' staff are familiar with both IFRS and local GAAP

What is also interesting from this is the number of supervisors who have not considered the impact of allowing multiple accounting standards. While no individual supervisor expanded on their answer, it is likely that this is because some supervisors discharge their responsibility at the overall industry level, rather than at the financial statement level (e.g., by testing compliance with accounting standards).

### Does the application of IFRS improve the quality of the financial statements?

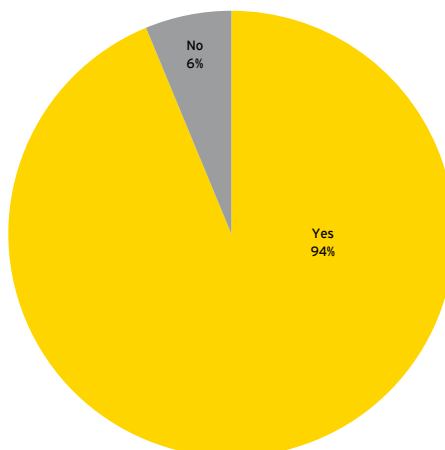
We asked the supervisors whether in their opinion they agreed with the statement: *“The quality of financial statements of funds significantly improved after the conversion to IFRS.”* Our results were limited by both the number of countries that apply IFRS already and the fact that some supervisors declined to respond.



Over half of the respondents recognized that IFRS improved the quality of the financial statements. The remainder were split in their views between those indifferent and those who disagreed with the statement. It was also surprising to read that some did not know what impact IFRS had on the quality of the financial reporting.

### Additional disclosures in the annual report

IFRS has not been specifically designed for investment funds. Therefore, there are some disclosure requirements that some within the industry would argue are not applicable for investment funds, such as segment reporting, Earning Per Share etc., likewise there are some disclosures which are considered important to investors that are not required by IFRS. In order to gauge the adequacy of IFRS disclosure for investment funds, we asked those supervisors where IFRS can be applied whether they require financial and/or qualitative information in addition to IFRS.



94% of the European supervisors that responded stated that they require additional disclosures. There is a common theme to the additional disclosure requirements, for instance, jurisdictional tax requirements and additional requirements for UCITS. UCITS requirements include:

- ▶ A portfolio statement, which distinguishes between various investments, analyzed in accordance with the most appropriate criteria in the light of the investment policy of the UCITS and as a percentage of net assets
- ▶ A statement of changes in the composition of the portfolio during the reference period
- ▶ A comparative table covering the last three financial years and including, for each financial year, at the end of the financial year:
  - ▶ The total net asset value
  - ▶ The net asset value per unit

Given the nature of investment funds it is unsurprising to see these types of disclosures being mandated in the financial statements.

### **Our conclusions**

The majority of European supervisors in countries that apply IFRS noted that IFRS improved the quality of the financial statements. It is therefore surprising that the subject of IFRS does not appear to be high on the agenda of many other European supervisors. Many supervisors continue to be satisfied with local accounting standards and it would appear that, unless there is a major change in the laws and regulations, the position will remain the same for the foreseeable future.

We would encourage the supervisors that continue to allow the use of other accounting standards to evaluate the benefits of IFRS. This can be achieved through discussion with the supervisors in those countries that have already converted to IFRS or by engaging the IASB in discussion.

# View of the industry

## 6

In this chapter, we will present the results from our interviews with the asset managers and fund administrators.

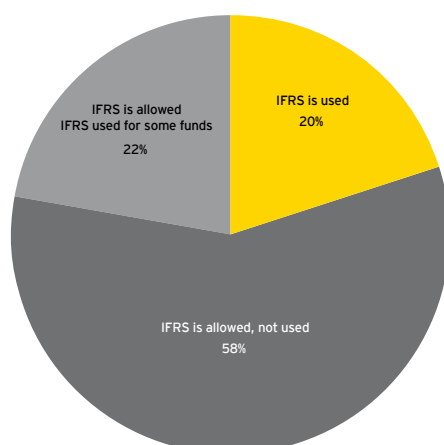
### Key findings

- ▶ Despite IFRS being allowed in their jurisdiction, 58% of managers and administrators interviewed do not use IFRS for financial reporting purposes.
- ▶ Of the 22% of respondents that apply both IFRS and other GAAPs for investment fund financial reporting, 83% say they have no intention of using only IFRS going forward.
- ▶ Only 17% of managers and administrators interviewed believe IFRS will be mandated for all investment funds in Europe in the near future.
- ▶ 74% of respondents expect that IFRS will eventually become the European standard for financial reporting of investment funds.
- ▶ 48% of respondents, who have adopted IFRS, agree that it has significantly improved the quality of financial reporting of investment funds.
- ▶ 50% of respondents said that conversion to IFRS has had at least a significant impact on financial reporting of investment funds.
- ▶ Despite being applicable to all entities, even if it only relates to presentation, 52% of respondents reporting using IFRS do not believe that the revisions to IAS 1 *Presentation of Financial Statements* and the amendments to IFRS 7 *Financial Instruments: Disclosures* is applicable.
- ▶ 52% of respondents who report using IFRS do not believe IFRS 8 *Operating Segments* is applicable - even though funds whose instruments are traded, or issued, in a public market are included in the standard's scope.

### Use of IFRS

First, we wanted to understand whether IFRS was being used by asset managers and administrators where permitted in the preparation of financial statements for investment funds.

We asked: "Are you applying IFRS in preparing the fund financial statements?"

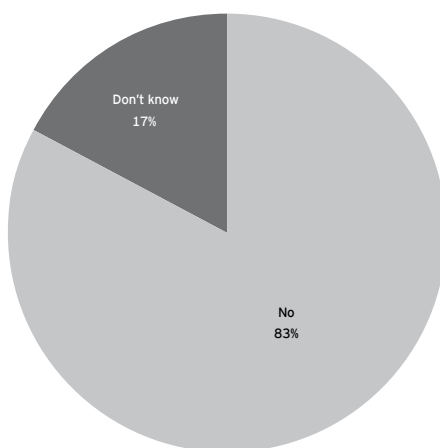


Despite IFRS being an acceptable framework for financial reporting purposes, 58% of the managers and administrators still choose not to adopt IFRS for financial reporting purposes. Those not using IFRS continue to use their home country accounting standards or US GAAP. The choice of GAAP used for financial reporting purposes is mainly driven by investor preference until such time as it will be mandatory to adopt IFRS.

The remaining 22% of respondents report using a combination of IFRS and other GAAPs. Some of the reasons outlined for this approach include:

- ▶ Investor preference, particularly the case for administrators when they have less influence over the GAAP adopted.
- ▶ IFRS is only used when mandated, for instance where the fund is listed on an EU stock exchange.
- ▶ Some administrators perform services beyond their home country and are therefore required to be familiar with several different GAAPs.
- ▶ US GAAP is particularly favored where the consolidation requirements can be avoided.

We also asked those 22% of managers and administrators that were not currently applying IFRS for all funds whether they had any intention to apply it in the near future.

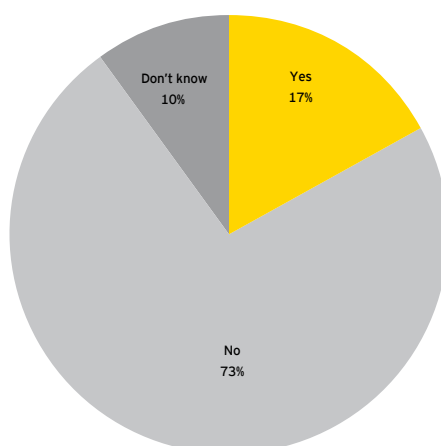


The response was an overwhelming “no.” A number of reasons for this were expressed including:

- ▶ Administrators stated the choice of GAAP is out of their control
- ▶ No investor or other pressure to convert to IFRS
- ▶ Local GAAP is in line with IFRS and as such there is no pressure to convert to full IFRS

It is important to note that several commented that conversion to IFRS is being considered but it is too early to say whether this is to occur in the near future.

#### View on the future use of IFRS for investment funds



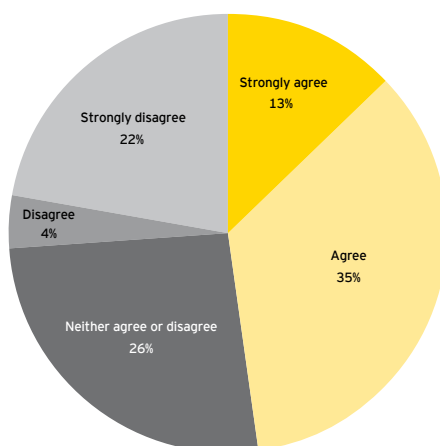
We asked all the respondents if they believe IFRS will be mandated in the near future for all investment funds in Europe.

Again, the response to the question was “no,” with 73% saying they did not expect such a change in the rules in the near future. Certain respondents went on to qualify their responses stating that they expect it may happen one day, but not in the near future.

Our view is that this is slightly surprising and recent events suggest developments may evolve more rapidly than expected. As an example, look at the United Kingdom and Ireland (and to some degree other jurisdictions such as Guernsey, Jersey and Isle of Man), where currently UK GAAP is applied extensively by the fund industry. On 11 August 2009, the Accounting Standards Board of the United Kingdom and Ireland (ASB) issued its consultation paper *Policy Proposal: the future of UK GAAP*, which sets out its proposals for the future reporting requirements for UK and Irish entities. The proposal signals what could be the end of the use of industry-specific guidance contained in various Statements of Recommended Practice (SORPs). This would affect those entities adopting the Association of Investment Companies SORP or the Financial Statements for Investment Funds SORP. The ASB had been waiting for the publication by the IASB of its IFRS for Small and Medium-sized Entities (SMEs) which was released on 9 July 2009. SMEs are defined in the standard as small and medium-sized entities that do not have public accountability and which also publish general-purpose financial statements for external users. An entity has public accountability if its debt or equity instruments are traded in a public market, or it holds assets in a fiduciary capacity for a broad group of outsiders. Both the ASB in its proposals and IASB in the SME standard give the example that typically mutual funds hold assets in a fiduciary capacity for a broad group of outsiders. The ASB proposes a three-tier approach to developing UK GAAP converged with IFRS. Investment funds would fall within Tier 1 – publicly accountable entities – and therefore would apply IFRS as adopted by the EU (EU-adopted IFRS). Although the anticipated changes to the use of UK GAAP may be less surprising, the removal of the SORP will have a more significant impact on the industry and it will be interesting to see how this develops over the next two years.

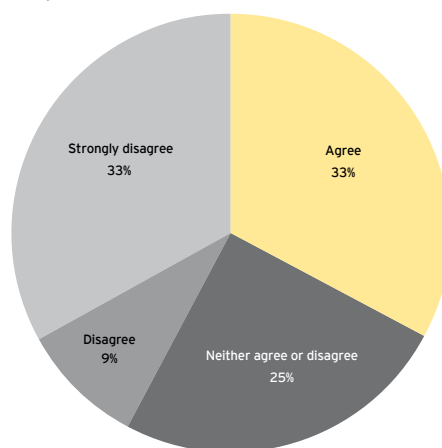
### Has conversion to IFRS resulted in improved financial reporting for investment funds?

*We asked those respondents who currently use IFRS for financial reporting purposes, how strongly they agreed with the statement: “The conversion to IFRS has significantly improved the quality of financial reporting of funds.”*

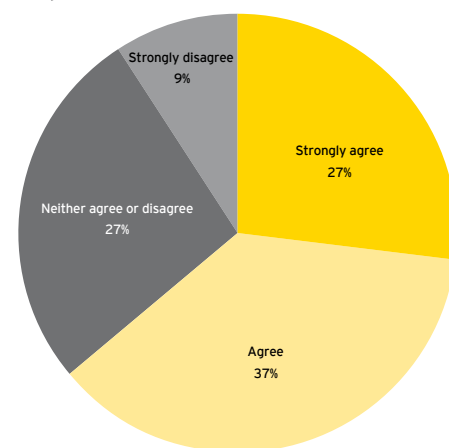


Almost half believed that the introduction of IFRS had a positive impact on financial reporting, while 26% neither agreed nor disagreed and the same percentage either disagreed or strongly disagreed with the statement. In order to understand these results further, we wanted to establish if the opinions of those who have fully implemented IFRS for their investment funds differed considerably from those who have only partially implemented IFRS for selected funds.

*Adopt IFRS for some funds*



*Adopt IFRS for all funds*



As the results show, there is a significant difference in the views between the groups. Those who have fully implemented IFRS have a stronger view that it has improved the quality of financial reporting by investment funds; in fact, as a group, they were the only ones to comment that they strongly agreed with the statement. In contrast, the responses of those who have only adopted IFRS for some funds are more varied but on the whole the majority either agreed with, or was indifferent to, the statement.

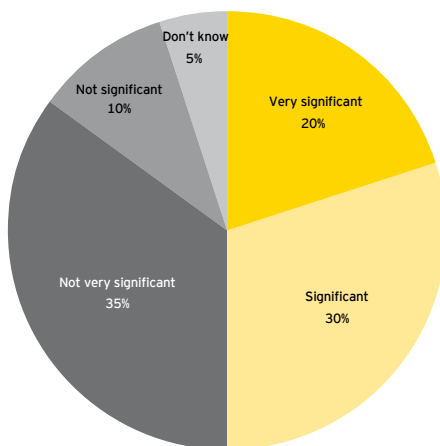
Those who had a favorable view of IFRS commented that the application results in more comparable reporting across their own and competitor funds and that IFRS reduces time spent on financial statement preparation. Also, managers of funds which required preparation of group accounts (i.e., consolidated financial statements), particularly those with property funds, commented that the standardization of reporting facilitated easier group reporting. Others also commented that the disclosure in the financial statements provided the users with more meaningful information.

Conversely, some respondents believe that the local accounting standards were more comprehensible. Also, some commented that to prepare the financial statements in accordance with IFRS is a time-consuming task and they contain significant amounts of disclosure that the investors do not read. Additionally, some disclosure requirements provide information that is already contained in the fund prospectus or similar documentation. Finally, some commented that while the disclosures were different to those required by local accounting standards, they were not necessarily an improvement.

### **Practical experience of dealing with IFRS**

As more countries allow the use of IFRS for investment fund reporting, we believe it is important to understand the practical experience of converting a fund to IFRS. We asked our respondents who had undertaken a conversion project recently.

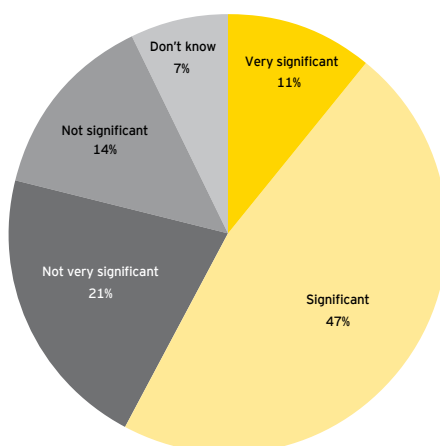
*"How much of an impact has the introduction of IFRS had?"*



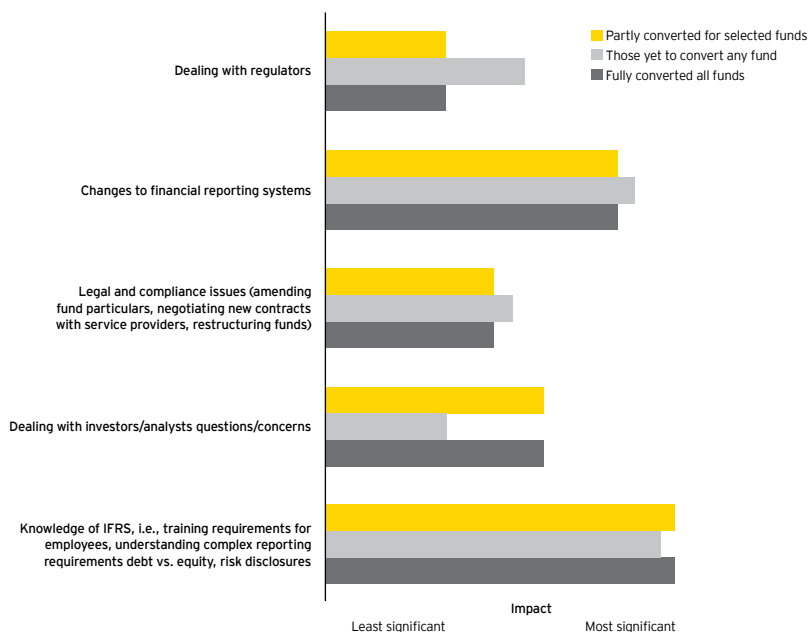
The information above was compiled from both managers and administrators that have fully applied IFRS for all funds or use a combination of IFRS and other acceptable GAAPs. What was surprising from the initial response was that there was a significant number (35%) of respondents saying the conversion to IFRS was not very significant. Further examination of these results highlighted some reasons for this, these being:

- ▶ These respondents are from countries that have allowed the use of IFRS for a number of years and have experience of applying IFRS at a corporate level.
- ▶ These respondents are from countries where the national accounting standards had for some time been aligning with IFRS.
- ▶ The number of funds that converted to IFRS represents a minority of the total number of funds compared with the total funds managed/administered.

We asked a similar question to those respondents who had not yet converted to IFRS to ascertain whether their expectations were different to those who have converted. Only 11% of respondents expected conversion would have a very significant impact. We assume that the impact is not considered to be as onerous for those planning future conversions as they have the benefit of learning from other conversions and a greater knowledge of IFRS. Overall, the opinion was split, with 58% believing the impact would be at least "significant" and 35% believing the impact would be at most "not very significant."



We believe there are a number of common factors that have an impact on IFRS conversions. We therefore asked our respondents to rate the impact of a number of common factors. The question was asked to each group of participants, those who had fully converted to IFRS, those who have partly converted and those who are still to convert.



The results from each of the groups of respondents were fairly similar, each rating the difficulties in a similar order of significance. The most significant impact for all was considered to be the knowledge of IFRS, closely followed by system issues. Interestingly, those still to convert rated dealing with investors or analysts questions and concerns as the least significant; however, this view is not shared by those who had previously undertaken a conversion process. Similarly, those still to convert anticipated more of a concern on the significance of dealing with regulators than those who had already gone through a conversion process.

The significance of the conversion will most certainly depend on the starting point. Countries which have already embraced the requirements of IFRS into their national GAAP will clearly be in a better position than those which do not have similar standards. Some managers and administrators will also benefit, to some degree, if they also adopt IFRS in their own financial statements.

We have explored the issues highlighted on the next page.

## **Knowledge of IFRS**

Technical knowledge of IFRS appears to be the primary concern of those who have adopted and those still to adopt it.

It should also be recognized that the impact of the IFRS conversion is not limited to the production of financial statements as it will also impact the information needed from other areas of the organization. For instance, in a typical fund, the information required for the risk disclosures of financial instruments may require input from:

- ▶ The manager making the investment decisions
- ▶ Those responsible for financial statement preparation
- ▶ Risk and compliance, ensuring compliance with stated policies
- ▶ Investment committees
- ▶ Information technology for data extraction
- ▶ The audit committee and board of directors

Each has an important role to play and it is, therefore, important that they understand the how the conversion impacts them.

There is no substitute for having an experienced team which is familiar with the ever changing requirements of IFRS. The retention of key personnel is critical to any conversion, therefore adequate investment should be made in retaining key employees in the organization in order to meet the changing technical knowledge needs, as well as to facilitate the roll-out of accounting policy changes associated with IFRS.

## **Dealing with investors' and analysts' questions and concerns**

Frequent communications with investors and analysts has proven to play an important role during a conversion. Managing expectations with respect to the effects of IFRS and the entity's progress toward conversion will be an important area for fund boards to monitor. Clear, continuous and consistent communication with stakeholders will reduce the risk of misunderstandings and aid a smooth transition.

Going forward, fund managers and their boards will need to be aware that analysts will have access to comparable industry data against which they can benchmark their results. Management should therefore be prepared to respond accordingly.

## **Legal and compliance issues**

The rules and regulations in each individual country may influence whether IFRS is adopted. Most funds' fact sheets, offering documents, fund particulars or similar documents will outline the financial reporting framework to be adopted and, therefore, any change may require an amendment to such documentation. For example, the fund's prospectus requires investments to be valued at mid-market prices but also stipulate that the investment be valued in accordance with the GAAP adopted. Under the local GAAP this may have not caused an issue. However, the valuation requirement under IFRS would be in conflict with the method stipulated in the prospectus.

Some funds may be required to maintain a certain amount of regulatory capital. The adoption of IFRS will likely have an impact on the available reserves of the fund and on the calculation of the regulatory capital as disclosed in the financial statements. This may require additional capital and, where related subsidiaries are involved, may restrict the amount that can be distributed to the parent.

Compliance departments will need to take a more active role during the early stages of IFRS implementation particularly when it comes to ensuring all relevant parties are sufficiently versed in the application of IFRS. This may include undertaking reviews of an appointed service provider's knowledge and adherence to internal training policies. Those charged with corporate governance, i.e., the board and audit committee, will also have to ensure that they have an appropriate knowledge of IFRS to discharge their responsibilities.

### **Changes to financial reporting systems**

High on the agenda of all respondents was the subject of changes to reporting systems. Previous experience from the conversion of corporate entities found that the effort required a fundamental change on multiple levels and resulted in a costly exercise. Our experience of working with clients on fund conversion programs suggests it is no different for funds. In a survey undertaken by the Institute of Chartered Accountants in England and Wales, nearly 75% of respondents reported unexpected complexity around IT issues. Those with complex or inefficient business process or IT environments experience greater technological challenges.

Key considerations for managers and administrators include:

- ▶ IFRS initiatives may be combined with other planned initiatives, thus avoiding duplication of effort at a later date.
- ▶ It is important to understand new IFRS requirements and the impact that will have on the systems.
- ▶ Advanced planning is essential.
- ▶ Budget constraints on IT spend may have negative ramifications.
- ▶ As more countries convert, there will be increased demand for qualified resources, restricting implementation options and extending timetables.

### **Dealing with regulators**

When IFRS is mandated, it would normally be expected that the regulator will be well versed in the application to IFRS. However, where flexibility exists in financial reporting, it would be appropriate for the fund to engage in clear and consistent communication with the regulator so that they are well informed of the purpose of any proposed transition. These communications should be consistent with those that would be expected of the fund with its own investors. These communications could become more crucial when the financial statements provide disclosure of minimum regulatory capital, which may be significantly affected by the adoption of IFRS.

### **Impact of new and revised standards**

As described earlier, the IASB's moratorium on issuing new standards and interpretations with an effective date between 1 January 2006 and 31 December 2008 is now closed. Managers and administrators applying IFRS are now faced with preparing the financial statements complying with a raft of new and revised accounting standards requiring application for the first time. Some chose to adopt some of the changes early while most chose to wait until the mandatory application date.

Highlighted below are some of the findings from our questions around those new and revised standards that we believe have the most significant impact on investment funds.

We also have included further information on the requirements and practical implications of the standards for investment funds. It should be noted that between undertaking this survey and the timing of the report, the IASB has announced a number of further significant proposals that will impact the industry; for instance, the IASB has published phase 1 of IFRS 9 *Financial Instruments*, the accounting standard that will eventually replace IAS 39: *Financial Instruments: Recognition and Measurement*. Phase 1 of the project establishes a new classification and measurement framework for financial assets. The EU has not yet endorsed IFRS 9 as it has been decided that more time should be taken to consider the output from the IASB project to improve accounting for financial instruments. IFRS 9 is therefore not yet available for use by entities reporting under IFRS as adopted by the EU.

We asked the participants to rank the impact the application (or in the case of some standards, the earlier application) of certain standards has had on the 2008 financial statements and the expectations for 2009. We also asked the same question to those who apply an equivalent standard under other GAAPs, for example US GAAP, *Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (pre-Codification FASB statement No.157, Fair Value Measurements)* which is very similar to the IFRS 7 amendments.

### Valuation of investments

While the valuation of investment is not governed by a specific accounting standard in its own right, we included this in the survey based on the difficulties experienced as a result of the financial crisis. The responses relate mainly to the application to the ongoing application of IAS39 and recommendations from the IASB Expert Advisory Panel plus ongoing application of IAS40 by property fund managers and administrators.

*We asked: "How much of an impact did/will the valuation of investments have on your 2008 and 2009 financial statements?"*

Impact	2008	2009
Very significant	35%	27%
Significant	21%	21%
Not very significant	15%	19%
Not significant	10%	14%
Not applicable	19%	19%

Unsurprisingly, this question resulted in the greatest percentage of respondents stating that this had either a very significant or significant impact on the 2008 financial statements and is expected to have a similar impact in 2009. What is surprising is that these percentages are not higher given recent events of highly volatile or inactive markets.

### IFRS 8 Operating Segments

IFRS 8, which replaced IAS 14 *Segmental Reporting*, is effective for periods beginning on or after 1 January 2009, and was available for early adoption in 2008. The standard uses a full management approach to identifying, measuring and disclosing the results of its operating segments. It is applicable for entities that have debt or equity instruments that are traded in a public market (which is broader than the "public securities market" previously required by IAS 14) or that files (or is in the process of filing) its financial statements with a securities commission or similar party for the purpose of issuing instruments in that market. It is therefore expected to be applicable to an increased number of investment funds when compared with those that were in the scope of IAS 14.

The standard requires disclosure of information used by the chief operating decision-maker (CODM) internally for evaluating the performance of operating segments and allocating resources to those segments. When information is recognized or measured in a different way to IFRS in the primary financial statements, entities need to provide explanations and reconciliations of those differences.

Traditionally, many preparers of fund financial statements have concluded that a fund operates in a single segment; however, more segments may be identified as a result of assessing whether there are segments based on the information provided to the CODM.

*We asked: "How much of an impact did/will IFRS 8 have on your 2008 and 2009 financial statements?"*

<b>Impact</b>	<b>2008</b>	<b>2009</b>
Very significant	2%	17%
Significant	2%	19%
Not very significant	2%	10%
Not significant	6%	2%
Not applicable	88%	52%

As expected, 88% of respondents indicated that IFRS 8 was not applicable for 2008 and they chose not to early adopt. What is surprising is that in 2009, 52% once again stated this would not be applicable, which we can only assume is that having performed an analysis of the portfolios managed or administered they have concluded that they will be exempt from the scope of the standard.

The responses also revealed that the managers or administrators anticipating the largest impact are in the real estate and private equity asset classes. In 2009, 61% of respondents from real estate funds, and 56% private equity funds, expected at least a significant impact as a result of IFRS 8 on their financial statements.

In contrast, compare this response to those dealing with more traditional equity and debt investments with 58% and 61% respectively stating they believed it would be not applicable.

Regardless of the results above, it is likely that IFRS 8 will have some form of impact on the financial statements even if this is limited to presenting the required entity disclosure. However, as the disclosures are based on existing internal reporting, the information should be easily obtainable.

### **IAS 1 (Revised) Presentation of Financial Instruments**

IAS 1 (Revised) is effective for periods beginning on or after 1 January 2009 and was available for early adoption. IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The key changes include the introduction of a statement of comprehensive income, combining all items of income and expense recognized in profit or loss together with "other comprehensive income" (OCI). Entities may choose to present all items in one statement or two linked statements, a separate income statement and a statement of comprehensive income.

We asked: "How much of an impact did/will IAS 1 (Revised) have on your 2008 and 2009 financial statements?"

Impact	2008	2009
Very significant	13%	19%
Significant	8%	8%
Not very significant	8%	15%
Not significant	6%	6%
Not applicable	65%	52%

As expected, 65% of respondents indicated that the revision to the standard was not applicable for 2008 and they either chose not to early adopt the standard or there was no local GAAP equivalent. Considering the revision to the standard will have some impact, even if it is limited to presentational amendments, it is very surprising that in 2009, 52% once again stated this would not be applicable.

The interesting issue that the revised standard does pose is that when an entity restates its financial statements or retrospectively applies a new accounting policy, a statement of financial position must be presented as at the earliest comparative period along with related notes (i.e., three statements of financial position and related notes will be presented). This could have a significant effect when, for instance, a fund adopts the amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*. Adoption of these amendments may result in presentation of a "3rd balance sheet" and related notes.

#### **IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)**

The amendments are effective for periods beginning on or after 1 January 2009, and were available for early adoption. The amendments must be applied retrospectively. In summary, the amendments state that puttable financial instruments, and instruments that impose an obligation to deliver pro rata share of the entity's net assets only upon liquidation, are classified as equity if they meet certain strict criteria (e.g., among others, the instrument entitles the holder to require the entity to purchase or redeem the instrument, either on an ongoing basis or on liquidation, for a pro rata share of the entity's net assets).

We asked: "How much of an impact did/will the amendments to IAS 1 and IAS 32 have on your 2008 and 2009 financial statements?"

Impact	2008	2009
Very significant	2%	8%
Significant	2%	4%
Not very significant	6%	4%
Not significant	10%	15%
Not applicable	80%	69%

As with other standards available for early adoption in 2008, most respondents (80%) answered by stating this was not applicable in 2008. The intention of the amendments is to better align the accounting treatment of such transactions with their commercial substance and it may indeed allow a number of funds to classify its puttable financial instruments as equity. However, careful consideration will need to be given to ensure that they do indeed meet all of the requirements. Our reading of the responses regarding the expected impact in 2009, with a high 69% again saying this is not applicable, suggests that the amendments do not provide sufficient scope to allow a large number of funds to restate their puttable shares as equity. Additionally, in the current climate, funds are issuing separate classes of redeemable shares as a result of "side-pocketing" certain investments. These shares may have different features (e.g., lock-up periods, performance fees) and consequently would not meet the "identical features" condition in IAS 32. The standard states when a puttable share classified as equity ceases to have all the features or meet all the conditions set out in IAS 32, it should be reclassified from that date as a financial liability. It is not implausible that this reclassification may occur more than once during a reporting period.

### **Amendments to IFRS 7 *Financial Instruments: Disclosures***

The amendments are effective for annual periods beginning on or after 1 January 2009 and were available for early adoption. It should be noted that although the amendment were available for early adoption, they were only released in March 2009 and as such we did not ask our respondents to consider the impact on the 2008 financial statements.

The amendments were designed to enhance disclosure about fair value measurement and liquidity risk. IFRS 7 now requires instruments measured at fair value to be disclosed by the source of the inputs in determining fair value, using a three-level hierarchy (consistent with that required by US GAAP, Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures [pre-codification FASB Statement No.157, Fair Value Measurements]*).

The liquidity risk disclosures were amended to revise the specified minimum disclosures e.g., the contractual maturity analysis of financial liabilities required by IAS 39.

**We asked: "How much of an impact will the amendments to IFRS 7 have on your 2009 financial statements?"**

<b>Impact</b>	<b>2009</b>
Very significant	17%
Significant	19%
Not very significant	10%
Not significant	2%
Not applicable	52%

The timing between the date the amendments were released and the date on which the survey was undertaken was very short. We believe that this accounts for 52% of the respondents saying the amendments will not be applicable for 2009, which includes those entities adopting IFRS applicable in the EU, as at the time of the survey this had not been endorsed by the EU. It is interesting that, of those who did state the amendments would have an impact, 36% expect at least a significant impact.

While many adopters of IFRS in Europe are not starting from the same position as preparers in the US, our experience of working with US clients suggests that the

introduction of US GAAP ASC 820 did result in a significant impact to those preparers. The detailed quantitative and qualitative disclosures required by the amendments will, in many cases, require asset managers/fund administrators to modify management information systems and internal controls.

Management will need to carefully assess the significance of inputs to its fair value measurement models, considering factors specific to the asset or liability. How an entity determines "significance" will be judgmental and, given the references to profit or loss when determining what is "significant," may require additional disclosures.

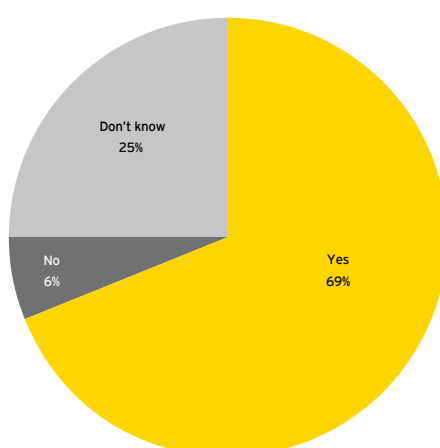
Some asset managers and fund administrators have already embraced a three-level hierarchy for fair value disclosures. However, it is possible that the hierarchy used hitherto may not conform to the requirements of the amended standard.

We see the major challenges as:

- ▶ Availability and sourcing of data from multiple systems
- ▶ Developing a sustainable process: transitioning from a manually intensive tactical approach to a more automated strategic solution
- ▶ Developing a comprehensive statement of requirements (data and narrative)
- ▶ The determination of the significance of valuation inputs
- ▶ Reconciling business management views with entity reporting requirements
- ▶ Documentation of evidence to satisfy audit and regulatory requirements

Successful implementation of these amendments will require changes to numerous areas within an entity, including the accounting, treasury and information technology functions. In addition, other items such as accounting policies, product control and pricing will also have to be considered.

In relation to the amendments, we also asked if the participants believed that the revisions provided an appropriate framework for valuation of financial instruments, considering the fair value hierarchy (Level 1, Level 2, Level 3).



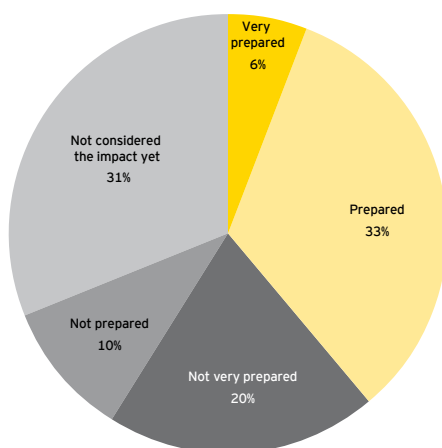
The majority of the respondents believe that these amendments provide an appropriate framework, stating that the disclosures will allow users of the financial statements to understand to a greater degree the valuation assumptions applied in valuing the portfolio.

Those participants who did not view the amendments positively cited them as further increasing the complexity of the disclosures. A small number responded that they had not yet assessed the amendments or their answer could be dependent on the type of fund in question, i.e., minimal benefit for a traditional “blue chip” retail fund but increased benefit for alternative funds.

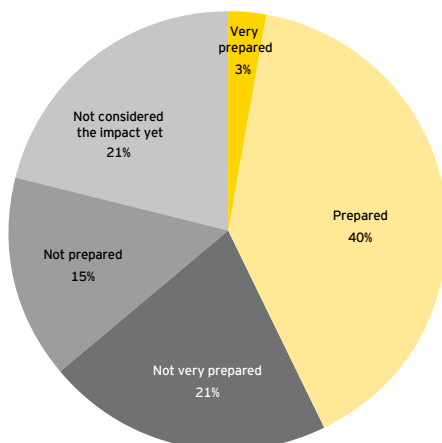
### How prepared is the industry for the changes?

With all the planned changes coming into effect this year, we wanted to understand how prepared managers and administrators were for the upcoming changes to IFRS.

We therefore asked all participants: *“How prepared are you for the upcoming changes?”*



The chart above shows the views of all the respondents, including those in countries where IFRS is not currently applied as we wanted to get an overall understanding of the readiness for IFRS reporting. It is not surprising that such a small number of respondents, 6%, said they were very prepared for the upcoming changes. As the question was answered by all respondents it is therefore not that surprising that 31% stated that they had not yet considered the impact or were not very prepared. In compiling the results it was evident that some respondents felt they were prepared for future changes, even though at this stage they do not have the option of applying IFRS. The chart below provides further insight into the responses of those who currently have the option to apply IFRS.

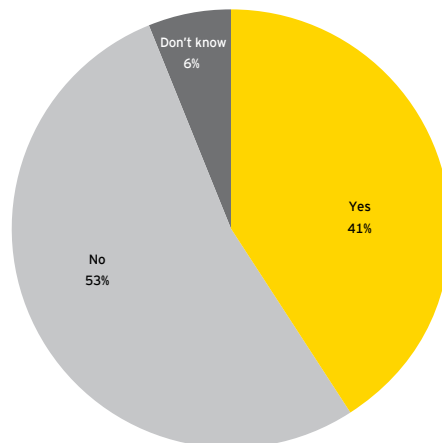


Again, it is not surprising that such a small number of respondents, 3%, said they were very prepared for the upcoming changes. The interesting result is that this is lower than the 6% of total respondents on the previous chart. Once again, a significant proportion (36%) said they were either “not prepared” or “hadn’t considered the impact yet”.

The responses suggest that the forthcoming 2009 financial reporting could prove to be very challenging for some and we would recommend that the implications of changes (both those mentioned and others) be considered without any further delay. It is anticipated that the number of revisions to existing standards and introduction of new standards will continue for the foreseeable future and preparers of financial statements should ensure that they have sufficient procedures in place to manage this accordingly. As we have already discussed earlier in the report, the impact extends beyond just the accounting issues and many of the new standards require input not just from the accounting departments, but across functions to (inter alia): the board, risk committees, IT departments, and compliance departments.

### Cost benefit analysis of IFRS

With the multitude of new and amended standards coming into effect during this and future periods, we asked all the respondents if the managers and administrators believe the developments in IFRS have costs that outweigh the benefits.

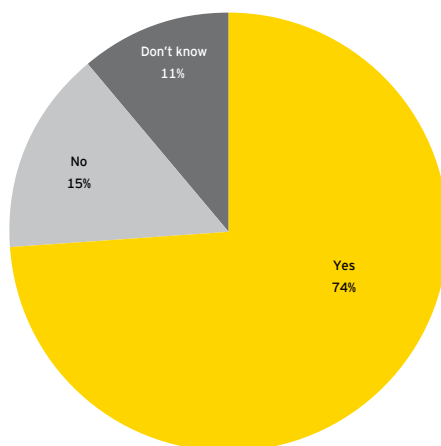


Only a small minority was unsure of the cost benefit. The remainder was fairly split in their opinion. A significant number of the respondents referred to recent costs of implementing IFRS 7 *Financial Instruments: Disclosures* and were unsure whether this has provided any additional benefits to the users of financial statements. Many responded saying the qualitative information is already communicated to the investees via the fund’s prospectus, fund’s fact sheet or other principal documents. Even those respondents who consider the benefit to outweigh the cost echoed this view. Despite preparers’ reservations over the cost benefit, it is likely that users will react favorably to the additional disclosures.

Other reasons provided by the respondents are in line with the overall response concerning the positive and negative attributes of applying IFRS for investment funds. These are explained in more detail on pages 32 and 33.

## The view on the future of investment fund reporting

So, do managers and administrators believe that IFRS will one day become the basis for financial reporting in Europe?



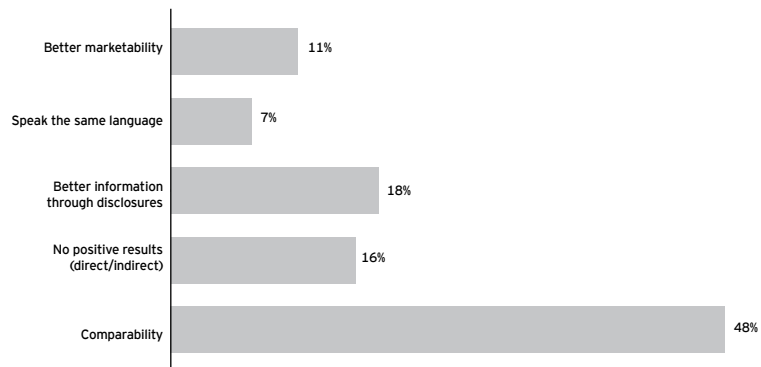
Despite many reservations expressed, the vast majority of managers expect that IFRS will become the European standard for financial reporting for investment funds. Although this view was shared, the time frame appeared to stimulate the most debate. Most managers and administrators believe that it will still be a significant amount of time before this will be achieved. A large number commented on two key factors:

- ▶ There would need to be a European Directive implemented into the local regulations of the Member States e.g., as part of future UCITS directives.
- ▶ The success will very much depend on the ongoing convergence with US GAAP.
- ▶ There is a perception among managers and administrators that this success will specifically be dependent on the convergence of IFRS with the US GAAP, specifically US GAAP, *Accounting Standards Codification Topic 946 Financial Services – Investment companies (pre-Codification AICPA Audit and Accounting Guide Investment Companies)*. It is important to note that this is currently not part of the conversion agenda and generally the IASB does not allow industry specific standards.

### Is IFRS suited for investment funds?

Finally, we asked all the fund managers and administrators their views on the positive and negative aspects of applying IFRS. Many of the positive and negative aspects of the survey have been identified earlier in the results; however, we summarize the key issues overleaf.

## The positives



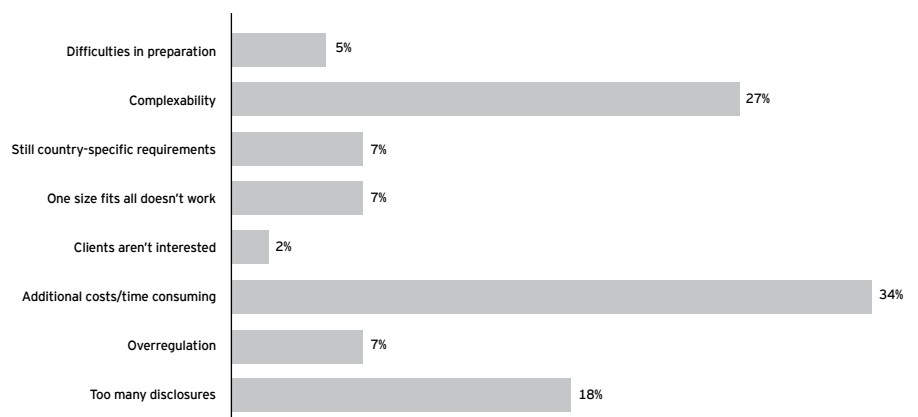
The most mentioned positive aspect of applying IFRS was comparability. A number of respondents also referred to “speaking the same language,” which reinforces the opinion of increased comparability.

Comparability also appears to have perceived benefits when benchmarking funds for marketing purposes. A number of respondents stated that being able to compare their product to those in other countries was made easier when those other funds also prepared their financial statements using IFRS. This facilitated more meaningful conversations with potential investors.

It is reassuring that despite some of the reservations within the industry (mentioned below), there is recognition that the use of IFRS achieves one of its primary objectives.

There is also recognition that the application of IFRS results in improved disclosures, examples of which included the nature of the risk disclosures and those in relation to the fair value of the investments. However, as we have previously mentioned, opinion is certainly divided in this area.

## The negatives



Indeed, there appeared to be significantly more respondents highlighting perceived negative aspects of IFRS. 27% commented on the complexity of the financial statements, with specific comments being provided on IFRS 7 and IAS 32 in relation to puttable instruments.

Linked to this was a common theme that the preparers felt that there were “too many disclosures” and the fact that “one size doesn’t always fit all.” These comments were really focused on the fact that there is no specific set of accounting standards for investment funds like those in the United States. It does not appear likely that such an approach will be followed by the IASB in the near future. The July 2009 FCAG Report<sup>1</sup> asserted that it “disagree[s] strongly with any attempts on a national or regional basis, such as occurred in late 2008 and again in early 2009, to allow either ‘carve-ins’ or ‘carve-outs’ from full IFRS. Any retreat from IFRS as issued by the IASB to national or regional standards would have serious consequences for the global financial system.” In the FCAG’s view, a single set of high-quality financial reporting standards would increase the comparability of the economic performance of entities and would facilitate cross-border capital raising.

Another significant factor highlighted by preparers was the additional costs and time incurred as a result of IFRS, with 34% specifically commenting on this matter. As discussed earlier, a number of preparers do not consider that the benefit of applying IFRS outweighs the cost. However, we are of the opinion that, in the long term, consistent application of IFRS across all countries would result in cost savings for all managers and administrators.

## Our conclusions

The majority of respondents have no intention of applying IFRS until such time as it is mandated, although 74% do believe that eventually it will become the standard for European financial reporting for investment funds.

The industry has concerns that IFRS does not provide an appropriate financial reporting framework for investment funds. There have been repeated calls for exemptions, similar to the approach adopted in the United States to certain standards or elements of standards that, in the opinion of the industry, are not relevant for investment fund reporting. If progress is to be made in this area, we would encourage the fund managers and administrators to engage the IASB in an active discussion around their concerns and the proposed solutions. The dichotomous views on standards such as IFRS 7 are interesting. This standard was consistently used as a point of reference when commenting on the positives and negatives of IFRS as a whole. If we focus just on comments on IFRS 7, it is clear that the objectives of the standard are recognized with 69% commenting that the fair value hierarchy was an appropriate framework and 18% of respondents agreeing that IFRS provides better information through disclosure, with IFRS 7 being highlighted as an example of this. However, 41% of managers and administrators say that the cost of implementing the new disclosures outweighed the benefits, specifically referring to IFRS 7. If we then consider respondents’ final comments on negative aspects of IFRS, again many mentioned costs and complexity of disclosures, once again referring to IFRS 7 in their responses. Finally, to put this topical standard into context, many respondents confirmed that they were not very prepared or had not considered the impact of this and

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1. Financial Crisis Advisory Group report of 28 July 2009 to the Members of the International Accounting Standards Board and the US Financial Accounting Standards Board

other new standards for 2009 with many saying that IFRS 7 amendments would not apply to them.

As we have commented previously, in our opinion the industry has not yet identified all benefits that may result from the application of IFRS for financial reporting of investment funds on a European or wider scale. Comparability of reporting is mentioned frequently when companies are asked for potential benefits, but the fact that standardized IFRS reporting could be an indication of quality (such as GIPS compliance or ISO certification) or the fact that IFRS could make the creation of centralized accounting functions easier and support cross-border distribution of UCITS has not been mentioned.

What is clear is that those who are adopting IFRS now, or in the near future, will be faced with some significant challenges. Our survey focused on some of the key standards that come into force for the 2009 reporting period; however, many other significant amendments are in the pipeline. Those respondents who have not considered the impact of those standards mentioned already should do so without any further delay and the industry should keep a close eye on current IASB projects in relation to financial instruments, fair value, consolidation and other topics which are likely to have a significant impact on the industry.

Those countries that do not currently adopt IFRS will also want to ensure that they keep up to date with the developments, as many of the amendments will no doubt find their way into local accounting standards.

## The role Ernst & Young can play

Ernst & Young's Global Asset Management practice is a leading provider of business advisory, assurance and tax advisory services to the asset management industry and its associated service providers.

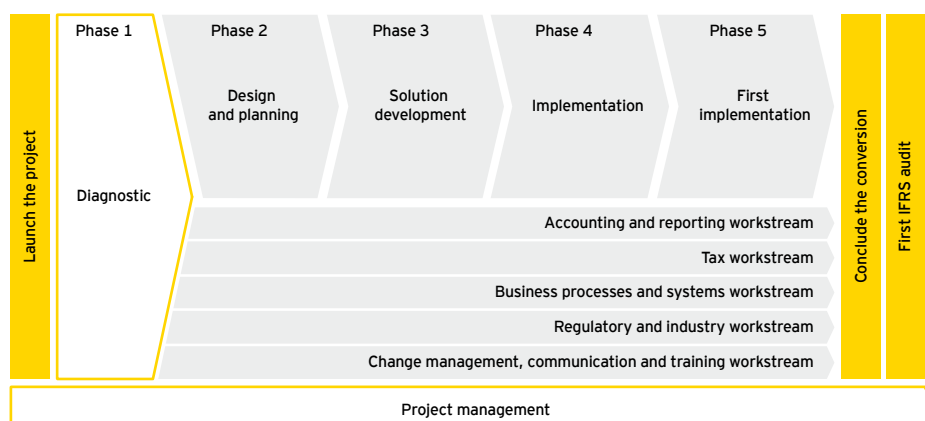
At the heart of the global practice is the Global Asset Management Center headquartered in London, supported by satellite centers in the Americas, EMEIA, the Far East and Oceania. Through this hub, we bring together people and ideas from across the world. As a focus for knowledge sharing, the Global Asset Management Center enables us to anticipate trends and their implications for our clients.

The Center facilitates the development of products and insight that assist our clients in addressing those industry trends and implications.

Ernst & Young has developed a global methodology to assist asset managers, investment funds and fund administrators in their conversion to IFRS. Especially when an asset manager operates in various locations, the IFRS conversion project requires a consistent approach. The asset manager and investment funds it manages, should apply a consistent interpretation of IFRS when reporting to their institutional and retail investors.

The methodology takes as a starting point the notion that an IFRS conversion project needs to address more than just accounting issues and that a conversion project is sufficiently complicated to warrant professional project management. It is for these reasons that the methodology comprises five phases, each of which deals with a specific part of the conversion, and that throughout the project it recognizes six different work streams that each deal with a specific aspect of the conversion process.

The diagram below provides an overview of the main phases in the Ernst & Young IFRS conversion methodology and the various work streams that form part of that approach:



Furthermore, Ernst & Young's website [ey.com/IFRS](http://ey.com/IFRS) provides access to additional IFRS resources. Information includes the following:

***International GAAP© - Illustrative financial statements Good Investment Fund Limited***

This annual publication provides a practical working model of financial statements prepared in accordance with IFRS, for a fictitious open-ended investment fund, incorporated and listed in Euroland. Publications are available for a fund whose puttable shares are classified as equity and whose puttable instruments as financial liabilities. In addition, supplements are made available for significant IFRS developments.

***International GAAP 2010®***

Written by Ernst & Young's International Financial Reporting Group, ® interprets IFRSs, sets them in a relevant business context and provides insights into how complex practical issues should be resolved in the real world of global financial reporting.

***IFRS Outlook***

This monthly publication provides continuous insights on IFRS. It examines draft interpretations, final standards, IASB and IFRIC meeting reports and implementation observations, as well as other IFRS-related issues.

***Supplement to IFRS Outlook***

This publication addresses particular issues arising in IFRS.

***Hot Topic***

The asset management group regularly provides industry hot topic publications which address IFRS-related issues specific to the investment fund industry.

# Appendix

## Law and regulations per country and Ernst & Young Asset Management contacts

### Albania

	Applicable accounting standard	
Regulated funds	Not applicable	
Unregulated funds	IFRS	
Listed funds	IFRS	
Regulator	-	
Website	-	
Direct office number	Fotis Demetriou + 381 11 2095 809	Kalina Sukarova + 389 23 113 310
Email address	Fotis.Demetriou@gr.ey.com	Kalina.Sukarova@mk.ey.com

### Austria

	Applicable accounting standard	
Regulated funds	Austrian GAAP	
Unregulated funds	Austrian GAAP	
Listed funds	Austrian GAAP	
Regulator	Finanzmarktaufsicht (Financial Market Authority)	
Website	www.fma.gv.at	
Direct office number	Gerhard Grabner + 43 1 211 70 1284	Robert Wauschek + 43 1 211 70 1269
Email address	Gerhard.Grabner@at.ey.com	Robert.Wauschek@at.ey.com

### Azerbaijan

	Applicable accounting standard	
Regulated funds	Not applicable	
Unregulated funds	Not applicable	
Listed funds	Not applicable	
Regulator	Not applicable	
Website	Not applicable	
Direct office number	Ilgar Veliyev + 994 12 4907020	Turgay Teymurov + 994 12 4907020
Email address	Ilgar.Veliyev@az.ey.com	Turgay.Teymurov@az.ey.com

### Belarus

	Applicable accounting standard	
Regulated funds	Not applicable	
Unregulated funds	Not applicable	
Listed funds	Not applicable	
Regulator	Not applicable	
Website	Not applicable	
Direct office number	Marchello Gelashvili + 994 12 4907020	Eugenia Zaichikova + 994 12 4907020
Email address	Marchello.Gelashvili@ru.ey.com	Eugenia.Zaichikova@ru.ey.com

## Belgium

	Applicable accounting standard	
Regulated funds	Belgium GAAP specific for investment funds	
Unregulated funds	Belgium GAAP	
Listed funds	IFRS	
Regulator	Commission for Banking, Finance and Assurance (CBFA)	
Website	www.cbfa.be	
	Christel Weymeersch	Alain Williaume
Direct office number	+ 32 2 774 9847	+ 32 2 774 6259
Email address	Christel.Weymeersch@be.ey.com	Alain.Williaume@be.ey.com

## Bulgaria

	Applicable accounting standard	
Regulated funds	NASSME* or IFRS	
Unregulated funds	Not applicable	
Listed funds	NASSME* or IFRS	
	* (National Accounting Standards for Small and Medium Enterprises) for investment funds managed by the company based on criteria stipulated in Accounting Act	
Regulator	Financial Supervision Commission	
Website	www.fsc.bg	
	John Mystakidis	Nikolay Garnev
Direct office number	+ 359 281 77116	+ 359 281 77100
Email address	John.Mystakidis@bg.ey.com	Nikolay.Garnev@bg.ey.com

## Croatia

	Applicable accounting standard	
Regulated funds	IFRS with specific rules as published by the regulator	
Unregulated funds	IFRS with specific rules as published by the regulator	
Listed funds	IFRS with specific rules as published by the regulator	
Regulator	HANFA Croatian Financial Services Supervisory Agency	
Website	www.hanfa.hr	
	Stephen Fish	Zvonimir Madunic
Direct office number	+ 385 1 2480 730	+ 385 1 2480 570
Email address	Stephen.Fish@hr.ey.com	Zvonimir.Madunic@hr.ey.com

## Cyprus

	Applicable accounting standard	
Regulated funds	IFRS	
Unregulated funds	IFRS	
Listed funds	IFRS	
Regulator	The Cyprus Securities and Exchange Commission	
Website	www.cysec.gov.cy	
	Andreas Demetriou	Irene Psalti
Direct office number	+ 357 2 2209 714	+ 357 2 2209 714
Email address	Andreas.Demetriou@cy.ey.com	Irene.Psalti@cy.ey.com

## Czech Republic

	Applicable accounting standard	
Regulated funds	Czech Republic GAAP	
Unregulated funds	Not applicable	
Listed funds	Czech Republic GAAP or IFRS	
Regulator	Czech National Bank	
Website	www.cnb.cz	
	Douglas Burnham	Tomas Nemeč
Direct office number	+ 420 225 335 130	+ 420 225 335 602
Email address	Douglas.Burnham@cz.ey.com	Tomas.Nemec@cz.ey.com

## Denmark

	Applicable accounting standard	
Regulated funds	Combination of Danish GAAP and IFRS	
Unregulated funds	Combination of Danish GAAP and IFRS	
Listed funds	Combination of Danish GAAP and IFRS	
	Listed accounting board	
Regulator	Financial companies: "Finanstilsynet" (Danish FSA)	
Websites	www.ftnet.dk	www.fondsraadet.dk
	Mads Jensen	Carsten Collin
Direct office number	+ 45 5158 2618	+ 45 3587 2547
Email address	Mads.Jensen@dk.ey.com	Carsten.Collin@dk.ey.com

## Estonia

	Applicable accounting standard	
Regulated funds	Estonian GAAP	
Unregulated funds	Estonian GAAP	
Listed funds	Estonian GAAP	
Regulator	Prudential Policy and Financial Reporting Division of Estonian Financial Supervisory Authority	
Website	www.fi.ee	
	Ramunas Bartasius	Tiina Somer
Direct office number	+ 370 5 274 2265	+ 372 6 11 4563
Email address	Ramunas.Bartasius@lt.ey.com	Tiina.Somer@ee.ey.com

## Finland

	Applicable Accounting Standard	
Regulated funds	Finnish GAAP	
Unregulated funds	Finnish GAAP or IFRS	
Listed funds	IFRS	
Regulator:	Financial Inspection	
Website:	www.finanssivalvonta.fi	
	Ulla Anna-Mari Nykky	Kunto Pekkala
Direct office number	+ 358 207 280 190	+ 358 207 280 190
Email address	Ulla.Nykky@fi.ey.com	Kunto.Pekkala@fi.ey.com

## France

	Applicable Accounting Standard	
Regulated funds	French GAAP	
Unregulated funds	French GAAP	
Listed funds	French GAAP	
Regulator:	Autorité des Marchés Financiers (AMF)	
Website:	www.amf-france.org	
	Bernard Charrue	
Direct office number	+ 33 1 46 93 72 33	
Email address	Bernard.Charrue@fr.ey.com	

## Georgia

	Applicable accounting standard	
Regulated funds	Not applicable	
Unregulated funds	IFRS	
Listed funds	IFRS	
Regulator	Not applicable	
Website	Not applicable	
	Marchello Gelashvili	Vakhtang Nomoradze
Direct office number	+ 7 495 755 9813	+ 995 32 43 9375
Email address	Marchello.Gelashvili@ru.ey.com	Vakhtang.Namoradze@ge.ey.com

## Germany

	Applicable accounting standard	
Regulated funds	German investment funds must deliver an audited annual report which is standardized in the German investment law	
Unregulated funds	German GAAP	
Listed funds	German investment funds must deliver an audited annual report which is standardized in the German investment law	
Regulator	Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)	
Website	www.bafin.de	
	Oliver Heist	
Direct office number	+ 49 6196 996 27505	
Email address	Oliver.Heist@de.ey.com	

## Greece

	Applicable accounting standard	
Regulated funds	Greek GAAP	
Unregulated funds	Greek GAAP	
Listed funds	IFRS	
Regulator	Capital Markets Committee of Greece	
Website	www.hcmc.gr	
	Despina Xenaki	Pinelopi Kassani
Direct office number	+ 30 210 2886217	+ 30 210 2886265
Email address	Despina.Xenaki@gr.ey.com	Pinelopi.Kassani@gr.ey.com

## Guernsey

	Applicable accounting standard	
Regulated funds	Generally Accepted Accounting Principles	
Unregulated funds	Generally Accepted Accounting Principles	
Listed funds	UK GAAP, US GAAP or other Generally Accepted Accounting Principles acceptable to the CISX	
Regulator	Guernsey Financial Services Commission	
Website	www.gfsc.gg	
	Mike Bane	Richard Le Tissier
Direct office number	+ 44 (0)1481 717435	+ 44 (0)1481 717468
Email address	MBane@uk.ey.com	RLeTissier@uk.ey.com

## Hungary

	Applicable accounting standard	
Regulated funds	Hungarian GAAP	
Unregulated funds	Not applicable	
Listed funds	Hungarian GAAP	
Regulator	Pénzügyi Szervezetek Állami Felügyelete (PSZAF)	
Website	www.pszaf.hu	
	Gergely Szabo	Zsolt Konya
Direct office number	+ 36 1 451 8244	+ 36 1 451 8443
Email address	Gergely.Szabo@hu.ey.com	Zsolt.Konya@hu.ey.com

## Iceland

	Applicable accounting standard	
Regulated funds	The Icelandic Accounting Act. (3/2006) or IFRS	
Unregulated funds	The Icelandic Accounting Act (3/2006)	
Listed funds	IFRS	
Regulator	Ársreikningaskrá	
Website	www.rsk.is/fyrirtaekjaskra/arsreikn	
	Margrét Pétursdóttir	Peter Franks
Direct office number	+ 354 595 2515	+ 46 8 520 58973
Email address	Margret.Petursdottir@is.ey.com	Peter.Franks@se.ey.com

## Ireland

	Applicable accounting standard	
Regulated funds	Irish GAAP, US GAAP, UK GAAP, Canadian GAAP, Japanese GAAP or IFRS	
Unregulated funds	Not applicable	
Listed funds	Irish GAAP, US GAAP, UK GAAP, Canadian GAAP, Japanese GAAP or IFRS	
Regulator	The Irish Financial Services Regulatory Authority (Financial Regulator)  Irish Auditing and Accounting Supervision Authority (IAASA)	
Website	<a href="http://www.financialregulator.ie">www.financialregulator.ie</a>	<a href="http://www.iaasa.ie">www.iaasa.ie</a>
	Aidan Tiernan	Des Quigley
Direct office number	+ 353 51 2212 623	+ 353 1 2212 550
Email address	<a href="mailto:Aidan.Tiernan@ie.ey.com">Aidan.Tiernan@ie.ey.com</a>	<a href="mailto:Des.Quigley@ie.ey.com">Des.Quigley@ie.ey.com</a>

## Isle of Man

	Applicable accounting standard	
Regulated funds	US GAAP, UK GAAP or IFRS	
Unregulated funds	US GAAP, UK GAAP or IFRS	
Listed funds	US GAAP, UK GAAP or IFRS	
Regulator	Isle of Man Government Financial Supervision Commission	
Website	<a href="http://www.fsc.gov.im">www.fsc.gov.im</a>	
	Paul Duffy	Angus Gilmore
Direct office number	+ 44 (0)1624 691818	+ 44 (0)1624 691803
Email address	<a href="mailto:PDuffy@im.ey.com">PDuffy@im.ey.com</a>	<a href="mailto:AEGilmore@im.ey.com">AEGilmore@im.ey.com</a>

## Italy

	Applicable accounting standard	
Regulated funds	Italian Asset Management specific GAAP	
Unregulated funds	Not applicable	
Listed funds	Italian Asset Management specific GAAP	
Regulator	Bank of Italy	
Website	<a href="http://www.bancaditalia.it">www.bancaditalia.it</a>	
	Stefano Cattaneo	Mauro Loris Lacobucci
Direct office number	+ 39 02 72212452	+ 39 02 72212471
Email address	<a href="mailto:Stefano.Cattaneo@it.ey.com">Stefano.Cattaneo@it.ey.com</a>	<a href="mailto:Mauro.Lacobucci@it.ey.com">Mauro.Lacobucci@it.ey.com</a>

## Jersey

	Applicable accounting standard	
Regulated funds	Generally Accepted Accounting Principles	
Unregulated funds	Generally Accepted Accounting Principles	
Listed funds	UK GAAP, US GAAP or other Generally Accepted Accounting Principles acceptable to the CISX	
Regulator	Jersey Financial Services Commission	
Website	www.jerseyfsc.org	
	David Moore	Chris Matthews
Direct office number	+ 44 (0)1534 288697	+ 44 (0)1534 288610
Email address	DMoore@uk.ey.com	CMatthews@uk.ey.com

## Latvia

	Applicable accounting standard	
Regulated funds	IFRS	
Unregulated funds	Latvian GAAP	
Listed funds	IFRS	
Regulator	Financial and Capital Market Commission	
Website	www.fktk.lv/en	
	Martins Valters	
Direct office number	+ 371 6 704 3903	
Email address	Martins.Valters@lv.ey.com	

## Lithuania

	Applicable accounting standard	
Regulated funds	Lithuanian GAAP or IFRS	
Unregulated funds	Lithuanian GAAP or IFRS	
Listed funds	IFRS	
Regulator	The Securities Commission of the Republic of Lithuania	The Authority of Audit and Accounting
Website	www.vpk.lt	www.aat.lt
	Ramunas Bartasius	Vaida Valuckiene
Direct office number	+ 370 5 274 22 65	+ 370 5 274 22 90
Email address	Ramunas.Bartasius@lt.ey.com	Vaida.Valuckiene@lt.ey.com

## Luxembourg

	Applicable accounting standard	
Regulated funds	Luxembourg GAAP or formal approved by CSSF for IFRS	
Unregulated funds	Luxembourg GAAP or formal approved by CSSF for IFRS	
Listed funds	Luxembourg GAAP or formal approved by CSSF for IFRS	
Regulator	Commission de Surveillance du Secteur Financier (CSSF)	
Website	www.cssf.lu	
	Michael Ferguson	Colin George Haggart
Direct office number	+ 352 42 124 8714	+ 352 42 124 8134
Email address	Michael.Ferguson@lu.ey.com	Colin-George.Haggart@lu.ey.com

## Macedonia

	Applicable accounting standard	
Regulated funds	Macedonian GAAP	
Unregulated funds	Macedonian GAAP	
Listed funds	Macedonian GAAP	
Regulator	Macedonian Security Exchange Commission (MSEC)	
Website	www.sec.gov.mk	
	Fotis Demetriou	Kalina Sukarova
Direct office number	+ 381 11 2095 809	+ 389 23 1133 10
Email address	Fotis.Demetriou@gr.ey.com	Kalina.Sukarova@mk.ey.com

## Malta

	Applicable accounting standard	
Regulated funds	IFRS	
Unregulated funds	IFRS	
Listed funds	IFRS	
Regulator	Malta Financial Services Authority (MFSA)	
Website	www.mfsa.com.mt	
	Ronald Attard	Gilbert Guillaumier
Direct office number	+ 356 2134 2134	+ 356 2134 2134
Email address	Ronald.Attard@mt.ey.com	Gilbert.Guillaumier@mt.ey.com

## Moldova

	Applicable accounting standard	
Regulated funds	Not applicable	
Unregulated funds	Not applicable	
Listed funds	Not applicable	
Regulator	Not applicable	
Website	Not applicable	
	Sebastian Mocanu	Stephane Bride
Direct office number	+ 40 21 402 4000	+ 40 21 402 4040
Email address	Sebastian.Mocanu@ro.ey.com	Stephane.C.Bride@md.ey.com

## Netherlands

	Applicable accounting standard	
Regulated funds	Dutch GAAP or IFRS	
Unregulated funds	Dutch GAAP or IFRS	
Listed funds	IFRS	
Regulator	Autoriteit Financiële Markten (AFM)	
Website	www.afm.nl	
	Joost Hendriks	Jeroen Preijde
Direct office number	+ 31 88 407 3889	+ 31 88 407 1679
Email address	Joost.Hendriks@nl.ey.com	Jeroen.Preijde@nl.ey.com

**Norway**

	<b>Applicable accounting standard</b>	
Regulated funds	Norwegian GAAP	
Unregulated funds	Not applicable	
Listed funds	Norwegian GAAP	
Regulator	Kredittilsynet (The Financial Supervisory Authority of Norway)	
Website	www.kredittilsynet.no	
	Finn Espen Sellæg	Inger Anne Husby
Direct office number	+ 47 24 00 28 76	+ 47 24 00 23 37
Email address	Finn.Espen.Selleg@no.ey.com	Inger.Anne.Husby@no.ey.com

**Poland**

	<b>Applicable accounting standard</b>	
Regulated funds	Polish GAAP specific for investment funds	
Unregulated funds	Not applicable	
Listed funds	Polish GAAP specific for investment funds	
Regulator	Polish regulator Financial Supervision Authority (KNF)	
Website	www.knf.gov.pl	
	Dominik Januszewski	
Direct office number	+ 48 22 557 7493	
Email address	Dominik.Januszewski@pl.ey.com	

**Portugal**

	<b>Applicable accounting standard</b>	
Regulated funds	Portuguese investment funds must deliver an audited annual report which is standardized in the Portuguese investment law	
Unregulated funds	Not applicable	
Listed funds	Portuguese investment funds must deliver an audited annual report which is standardized in the Portuguese investment law	
Regulator	Comissao do Mercado de Valores Mobiliarios (CMVM)	
Website	www.cmvm.pt	
	Ana Salcedas	Luis Oliveira Rodrigues
Direct office number	+ 351 21 791 2122	+ 351 21 791 2032
Email address	Ana.Salcedas@pt.ey.com	Luis.OliveiraRodrigues@pt.ey.com

**Romania**

	<b>Applicable accounting standard</b>	
Regulated funds	Romanian GAAP	
Unregulated funds	Not applicable	
Listed funds	Romanian GAAP	
Regulator	Comisia Națională a Valorilor Mobiliare	
Website	www.cnvmr.ro	
	Sebastian Mocanu	Panos Papazoglou
Office number	+ 40 21 402 4000	+ 40 21 402 4000
Email address	Sebastian.Mocanu@ro.ey.com	Panos.Papazoglou@ro.ey.com

## Russia

	Applicable accounting standard	
Regulated funds	Russian GAAP	
Unregulated funds	Russian GAAP	
Listed funds	Russian GAAP	
Regulator	Not applicable	
Website	Not applicable	
Office number	Marchello Gelashvili + 7 495 755 9813	Eugenia Zaichikova + 7 495 755 9864
Email address	Marchello.Gelashvili@ru.ey.com	Eugenia.Zaichikova@ru.ey.com

## Serbia

	Applicable accounting standard	
Regulated funds	Serbian GAAP specific for investment funds	
Unregulated funds	Serbian GAAP specific for investment funds	
Listed funds	Serbian GAAP specific for investment funds	
Regulator	Securities Commission of the Republic of Serbia	
Website	www.sec.gov.rs	
Office number	Mirjana Kovacevic + 381 11 2095 808	Drasko Popovic + 381 11 2095 801
Email address	Mirjana.R.Kovacevic@yu.ey.com	Drasko.Popovic@yu.ey.com

## Slovakia

	Applicable accounting standard	
Regulated funds	Slovakian GAAP	
Unregulated funds	Not applicable	
Listed funds	Not applicable	
Regulator	Oversight body of National Bank of Slovakia	
Website	www.nbs.sk/en/financial-market supervision/capital-market-supervision/securities-issuers	
Office number	Dalimil Draganovsky + 421 233 339 665	Jan Dzuppa + 421 233 339 359
Email address	Dalimil.Draganovsky@sk.ey.com	Jan.Dzuppa@sk.ey.com

## Slovenia

	Applicable accounting standard	
Regulated funds	Slovenian GAAP	
Unregulated funds	Slovenian GAAP or IFRS	
Listed funds	IFRS	
Regulator	Agencija za trg vrednostnih papirjev (ATVP) – Securities Market Agency	
Website	www.a-tvp.si www.bsi.si/html/eng/	www.sigov.si/mf/angl www.ajpes.si
Office number	Janez Uranic + 386 1 583 17 50	Simon Kolenc + 386 1 583 17 27
Email address	Janez.Uranic@si.ey.com	Simon.Kolenc@si.ey.com

## Spain

	Applicable accounting standard	
Regulated funds	Spanish GAAP	
Unregulated funds	Not applicable	
Listed funds	IFRS	
Regulator	Commission Nacional Del Mercado De Valores (CNMV)	
Website	www.cnmv.es	
Office number	Jose Carlos Hernandez + 34 915 727 291	Alberto Placencia Porrero + 34 915 727 247
Email address	JoseCarlos.HernandezBarrasus@es.ey.com	Alberto.PlacenciaPorrero@es.ey.com

## Sweden

	Applicable accounting standard	
Regulated funds	Swedish GAAP	
Unregulated funds	Swedish GAAP	
Listed funds	Swedish GAAP	
Regulator	Swedish Financial Authority (Finansinspektionen)	
Website	www.fi.se	
Office number	Peter Franks + 46 8 520 589 73	Nilla Rocknö + 46 8 520 594 61
Email address	Peter.Franks@se.ey.com	Nilla.Rockno@se.ey.com

## Switzerland

	Applicable accounting standard	
Regulated funds	Swiss GAAP specific for investment funds	
Unregulated funds	Specific GAAP of the home country, IFRS or Swiss GAAP specific for investment funds	
Listed funds	Swiss GAAP specific for investment funds	
Regulator	Swiss Financial Market Supervisory Authority (FINMA)	
Website	www.finma.ch	
Office number	Jürg Müller + 41 58 286 8369	Stéphane Müller + 41 58 286 5596
Email address	Jürg.Müller@ch.ey.com	Stephane.Muller@ch.ey.com

## Turkey

	Applicable accounting standard	
Regulated funds	IFRS	
Unregulated funds	IFRS	
Listed funds	IFRS	
Regulator	Capital Markets Board (CMB)	
Website	www.cmb.gov.tr	
Office number	Osman Dincbas + 90 212 368 5161	Selim Elhadeif + 90 212 368 5767
Email address	Osman.Dincbas@tr.ey.com	Selim.Elhadeif@tr.ey.com

## Ukraine

	Applicable accounting standard	
Regulated funds	Ukrainian GAAP	
Unregulated funds	Not applicable	
Listed funds	Ukrainian GAAP	
Regulator	Securities and Stock Market State Commission	
Website	www.ssmc.gov.ua	
	Marchello Gelashvili	Eugenia Zaichikova
Office number	+ 7 495 755 9813	+ 7 495 755 9864
Email address	Marchello.Gelashvili@ru.ey.com	Eugenia.Zaichikova@ru.ey.com

## United Kingdom

	Applicable accounting standard	
Regulated funds	UK GAAP	
Unregulated funds	UK GAAP, US GAAP or IFRS	
Listed funds	IFRS	
Regulator	The Financial Reporting Review Panel. The Investment Management Association (IMA) The Association of Investment Companies (AIC).	
Website	www.frc.org.uk/frpp www.theaic.co.uk www.investmentuk.org	
	Sarah Williams	Sue Dawe
Office number	+ 44 (0)20 7951 1703	+ 44 (0)13 1777 2180
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