



Luxembourg GAAP compared to IFRS: An overview

Investment funds financial statements

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Introduction

We are pleased to present our updated edition of the Luxembourg GAAP vs the International Financial Reporting Standards (“IFRSs”) as adopted by European Union (“EU”) brochure. It incorporates changes to the Luxembourg legal and regulatory environment following the amendments to applicable fund laws in Luxembourg and the newly-issued IFRSs. With the increase of Luxembourg entities being set up by alternative asset managers, there is a growing need to understand the differences between Luxembourg GAAP and IFRS — especially for the benefit of investors.

The purpose of this publication is to provide a brief overview of the key differences and similarities between the Generally Accepted Accounting Principles (GAAP) that apply to investment funds in Luxembourg and IFRS. It is based on the IFRSs in issue that must be applied by an entity with an annual period beginning on or after 1 January 2019. The publication does not provide an exhaustive list of differences that exist or may exist. Also, some investment vehicles may require specific disclosures.

Since our last publication, there have been several key changes to IFRS that are relevant to the fund industry.

Please note that IFRSs and their interpretations change over time. Users of this publication should keep abreast of unfolding developments and decisions regarding the status of proposed amendments and apply new requirements accordingly.

If you require further support with the analysis and interpretation of IFRSs, we would be happy to help. We also offer a range of publications that provide additional information, including Insights into IFRS, Illustrative IFRS financial statements and IFRS Practical Issues.

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Glossary of terms

Accounting Law	Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as subsequently amended.
IFRS	International Financial Reporting Standard (“IFRS”) as adopted by the European Union.
Lux GAAP	Generally Accepted Accounting Principles applicable to investment funds in Luxembourg.

Editorial team

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Financial reporting framework

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Financial reporting standards/ industry practice	Schedule B of the law of 17 December 2010 on undertakings for collective investment, the law of 19 December 2002, the annex to the specialized investment funds law (SIF Law) of 13 February 2007, as amended, and the law of 23 July 2016 on reserved alternative investment funds, as amended.	-	No fund-specific guidance.
First-time adoption of framework	Not addressed.	IFRS 1	Full retrospective application of IFRS in force on the date of the fund's first IFRS financial statements, unless the specific or optional exceptions permit or require otherwise. Reconciliation of the opening balances is required between the previous GAAP and IFRS.
Materiality and aggregation	Items may not be aggregated. Not addressed under Lux GAAP.	IAS 1 IFRS Practice Statement 2: Making Materiality Judgements	Items may be aggregated, provided that material and dissimilar items are presented separately. No disclosure is required in the notes if items are immaterial.
Frequency of reporting	Complete set of financial statements is required at least annually.	IAS 1	Complete set of financial statements is required at least annually.
Consistency of presentation	The presentation and classification of items should be consistent from one period to the next.	IAS 1	The presentation and classification of items should be consistent from one period to the next.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Content of the financial statements	<p>Per Schedule B of the fund law of 17 December 2010:</p> <ul style="list-style-type: none"> - Statement of assets and liabilities. - Number of shares/units in circulation. - Net asset value per share. - Portfolio securities. - Statement of operations and changes in net assets. - Details on the derivative transactions. - Notes. - A comparative table covering the last three financial years for the total net assets value and the net assets value per share. <p>Annex to the SIF Law of 13 February 2007, as amended, and the law of 23 July 2016 on reserved alternative investment funds, as amended.</p> <p>AIFMD disclosures.</p> <p>Description of the investment portfolio (qualitative and/or quantitative information).</p>	IAS 1	<ul style="list-style-type: none"> - Statement of financial position. - Statement of comprehensive income. - Statement of cash flows. - Statement of changes in equity and/or statement of changes in net assets attributable to redeemable shareholders. - Notes.
Comparative figures	<p>Per Schedule B of the fund law of 17 December 2010:</p> <p>Comparative financial information is generally not required, apart from three years of comparatives that are required for the total NAV and NAV per share. The same requirement exists for specialized investment funds and reserved alternative investment funds.</p>	IAS 1	At least one year of comparative financial information is required for all amounts reported in the financial statements.
Presentation of balance sheet/ statement of net assets	Prescribed format per Schedule B of the fund law of 17 December 2010, the annex to the SIF Law of 13 February 2007, as amended, and the law of 23 July 2016 on reserved alternative investment funds, as amended.	IAS 1	<p>No prescribed format.</p> <p>Classification of assets and liabilities by maturity, unless a liquidity-based presentation is more reliable and relevant.</p>

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Presentation of statement of comprehensive income/ statement of operations	Prescribed format per Schedule B of the fund law of 17 December 2010, the annex to the SIF Law of 13 February 2007, as amended, and the law of 23 July 2016 on reserved alternative investment funds, as amended.	IAS 1	There is no prescribed format, although expenses must be presented either by function or by nature.
Presentation of statement of changes in equity/ statement of changes in net assets	<p>Prescribed format per Schedule B of the fund law of 17 December 2010 and the annex to the SIF Law of 13 February 2007, as amended.</p> <p>Subscriptions, redemptions, dividend payments and result for the period are shown in the statement of operations and changes in net assets.</p> <p>No reconciliation is required for each class of shares, but per subfund instead.</p>	IAS 1	<p>Statement shows capital transactions with owners and other comprehensive income.</p> <p>Disclosure of the reconciliation between the balances of each component of equity at the beginning and the end of the period.</p> <p>Where there is no equity (only redeemable shares classified as liability), a statement of changes in net assets attributable to holders of redeemable shares is prepared by analogy.</p>
Presentation of statement of cash flows	No cash flow statement is required.	IAS 7	<p>Cash flow statement is classified by:</p> <ul style="list-style-type: none"> - Cash flow from operating activities presented either by the direct or indirect method. - Cash flow from investing activities. - Cash flow from financing activities.
Statement of cash flows — definition of cash and cash equivalent	No cash flow statement is required.	IAS 7	<p>Cash is made of cash on hand and demand deposits.</p> <p>Cash equivalents are highly-liquid assets that can be readily converted into cash and have a maturity of less than three months from the date of acquisition.</p> <p>Bank overdrafts that are repayable on demand and form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.</p>
Disclosure initiative	No cash flow statement is required.	IAS 7	New requirement to provide disclosures that enable the evaluation of changes in liabilities arising from financing activities.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Schedule of investments	<p>Required per Schedule B of the fund law of 17 December 2010.</p> <p>Portfolio, distinguishing between:</p> <ul style="list-style-type: none"> a. Transferable securities admitted to official exchange listing. b. Transferable securities dealt in on another regulated market. c. Transferable securities referred to in Article 41 (1) d). d. Other transferable securities of the type referred to in Article 41 (2) a). <p>For specialized investment funds, subject to the SIF Law of 13 February 2007, as amended: the financial statements should include qualitative and/or quantitative information on the investment portfolio, enabling investors to make an informed judgment on the development of the activities and the results of the fund.</p> <p>The same requirements apply to Reserved Alternative Investment Funds.</p>	-	Not required, but usually disclosed.
Net asset value/ net asset value per share	<p>Required per Schedule B of the fund law of 17 December 2010.</p> <p>Disclosure of the total net asset value and net asset value per share as at the end of each financial year is required for the last three financial years.</p>	-	<p>Not required, but usually disclosed.</p> <p>A reconciliation between the net asset values prepared in accordance with IFRS and with the prospectus is included as a note to the financial statements.</p>
Presentation of the notes	No prescribed format.	IAS 1	No prescribed format.
Derogation from the application of the accounting policies	Derogation is allowed in accordance with the Accounting Law (SICAV/SICAF).	-	Not allowed.
Changes in accounting policies	The principle of consistency applies, therefore restatement is not allowed. Exceptional departure is possible when duly justified and disclosed (Article 26 of the Accounting Law). The impacts are recognized in the statement of operations and an explanatory information must be disclosed in the notes to the financial statements.	IAS 8	<p>Restatement of comparatives is generally required against equity or net assets attributable to redeemable</p> <p>shares, except as otherwise required by the specific provisions of a new standard.</p>

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Correction of errors in prior year's financial statements	<p>The opening balance sheet for each financial year must correspond to the closing balance sheet of the preceding financial year.</p> <p>This implies that the retrospective application is not allowed.</p> <p>If the figures from one year are not comparable to the figures of the next, and if the figures of the preceding year have been adjusted, this must be disclosed in the notes of the accounts with relevant comments.</p>	IAS 8	<p>Adequate disclosures should be made.</p> <p>A prior period is corrected by retrospective restatement, except to the extent that it is impracticable to determine either:</p> <ul style="list-style-type: none"> - the period-specific effects or - the cumulative effect of the error. <p>The correction of the prior period is excluded from the profit or loss in the period in which the error is discovered. Any information presented about prior periods, including summaries of financial data, is restated as far back as is practicable.</p>
Changes in accounting estimates	Practice is similar to IFRS.	IAS 8	To be reported in the statement of comprehensive income/statement of operations in the current period and applied prospectively.
Interim financial reporting	<p>Condensed format prescribed by Schedule B of the fund law of 17 December 2010</p> <p>Not applicable to specialized investment funds and reserved alternative investment funds.</p>	IAS 34	<p>Contains the same primary statements as year-end financial statements presented in complete or condensed forms. Selected explanatory notes are also required when condensed interim financial statements are prepared.</p> <p>When preparing condensed interim financial statements in accordance with IAS 34, an entity should have regard to its local legal and regulatory requirements that may require additional disclosures to be made in the condensed interim financial statements.</p> <p>The accounting policies applied are those that will be applied in the current year's annual financial statements.</p> <p>Frequency of reporting is imposed by local regulators or at the discretion of the reporting entity.</p> <p>If any new IFRS applies during the year, the new IFRS should be applied in the preparation of the interim financial statements, together with the disclosure of the new accounting policies.</p>

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Formation expenses	Formation expenses may be capitalized and written off within a maximum period of five years.	IAS 38	Formation expenses are expensed as incurred, except for those that are directly attributable to the cost, which can be capitalized.
Financial instruments — classification	<p>Investments:</p> <p>Per Schedule B of the fund law of 17 December 2010:</p> <ol style="list-style-type: none"> Transferable securities admitted to the official exchange listing. Transferable securities dealt in on another regulated market. Transferable securities of the type referred to in Article 41 (1) d). Other transferable securities of the type referred to in Article 41 (2) a). <p>Other assets and liabilities are not defined.</p>	IFRS 9	<p>Three categories of financial instruments:</p> <ul style="list-style-type: none"> - Those subsequently measured at fair value through profit or loss. - Those subsequently measured at fair value through other comprehensive income (OCI). - Those subsequently measured at amortized cost. <p>Financial assets are classified based on:</p> <ul style="list-style-type: none"> - The entity's business model for managing financial assets. - The contractual cash flow characteristics of the financial asset (SPPI test). <p>An entity should classify all financial liabilities as subsequently measured at amortized cost, except for the instruments described in paragraph 4.2.1.</p>
Financial instruments — recognition	At trade date when and only when the entity becomes party to its contractual terms.	IFRS 9	Debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the entity becomes party to the instrument's contractual provisions.
Financial instruments — measurement	<p>Purchase price plus transaction costs.</p> <p>Subsequent measurement — fair value.</p> <p>For specialized investment funds, subsequent measurement can be on another basis than fair value if provided for in the management regulations.</p> <p>The same requirements apply to Reserved Alternative Investment Funds.</p>	IFRS 9	A financial asset or a financial liability is measured initially at fair value plus, for an item not at fair value, transaction costs that are directly attributable to its acquisition issue.

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Financial instruments — measurement (continued)		IFRS 9	<p><i>Subsequent measurement and gains and losses:</i></p> <p>Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.</p> <p>Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognized in profit or losses. Any gain or loss on derecognition is recognized in profit or loss.</p> <p>Debt investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.</p> <p>Impairment loss allowance shall be recognized in OCI and shall not reduce the carrying amount of the debt investment in the SFP. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.</p> <p>Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the costs of the investment.</p> <p>Impairment loss allowance shall be recognized in OCI and shall not reduce the carrying amount of the equity investment in the statement of financial position. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.</p> <p><i>Reclassification</i></p> <p>Financial assets are not reclassified subsequent to their initial recognition unless the entity were to change its business model for managing financial assets. In which case, all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.</p>

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Financial instruments — derecognition	Fair value is not defined under Lux GAAP. Practice is similar to IFRS.	IFRS 9	<p><i>Asset derecognition</i></p> <p>Financial assets can only be derecognized when:</p> <ul style="list-style-type: none"> - the contractual rights to the cash flows from the asset expire or - the contractual right to receive the cash flows of the financial assets is transferred in a transaction where substantially all risks and rewards of the financial asset are transferred and control of the financial asset is not retained. <p><i>Liability derecognition</i></p> <p>Financial liabilities shall be removed from the SFP when, and only when, they are extinguished — i.e. the contractual obligation is discharged, canceled or expires.</p>
Fair value — definition	<p>As per Art 64ter of the Accounting Law, fair value shall be determined by reference to:</p> <ol style="list-style-type: none"> a. a market value, for financial instruments for which a reliable market can readily be identified. Where a market value is not readily identifiable for an instrument — but can be identified for its components or for a similar instrument — the market value may be derived from that of its components or of the similar instrument or b. a value resulting from generally-accepted valuation models and techniques, for those instruments for which a reliable market cannot be readily identified. Such valuation models and techniques shall ensure a reasonable approximation of the market value. 	IFRS 13	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal. Or, in its absence, the most advantageous market to which the entity has access at that date. The fair value of a liability reflects its non-performance risk.

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Fair value — valuation technique	No specific guidance in Lux GAAP.	IFRS 13	An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
Fair value — disclosures	<p>No particular disclosure requirements for liquid assets.</p> <p>Per Section 7bis of the Accounting Law, more detailed disclosures are required for the valuation of illiquid positions.</p>	<p>IFRS 13</p> <p>IFRS 7</p>	<p>Extensive disclosure requirements (both quantitative and qualitative) for financial instruments.</p> <p>Some of the disclosure requirements are:</p> <ul style="list-style-type: none"> - Level of fair value hierarchy. - Valuation technique and inputs, the effects of measurements on profit and loss if significant unobservable inputs are used. - Risk management disclosures. <p>Please note that this list is not exhaustive. Please refer to IFRS 13 and IFRS 7 for more guidance.</p> <p>Quantitative disclosures are required in a tabular format, unless another format is more appropriate.</p> <p>Entities that are fair valuing their intermediate companies: ESMA Enforcement Decisions require the issuer to disclose additional information about the fair value of the indirectly held investments:</p> <ul style="list-style-type: none"> - Level of fair value hierarchy. - Qualitative and quantitative information on inputs. - Valuation techniques used to determine the fair value.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Impairment of assets	<p>As per Article 55 of the Accounting Law, value adjustments must be made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date.</p> <p>The value adjustments may not continue if the reasons why the value adjustments were made have ceased to apply.</p>	IFRS 9	<p>Under IFRS 9, impairment is based on the forward-looking 'expected credit loss' ("ECL") model.</p> <p>The impairment model applies to financial assets measured at amortized cost, or FVOCI, except for investments in equity instruments.</p> <p>Under IFRS 9, loss allowances will be measured on either of the following bases:</p> <ul style="list-style-type: none"> - 12-month ECLs: these result from possible default events within 12 months after the reporting date. - Lifetime ECLs: these result from possible default events over the expected life of the financial instrument. <p><i>Write off</i></p> <p>An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety, or a portion thereof. A write-off constitutes a derecognition event.</p>
Investment property	<p>Investment property is initially recognized at cost.</p> <p>Subsequent measurement — either historical cost or at fair value.</p> <p>Subsequent expenditure — not addressed.</p> <p>In practice, subsequent expenditure is capitalized only when it is probable it will give rise to future economic benefits.</p>	IAS 40	<p>Investment property is a property held to earn rental income, or capital appreciation, or both.</p> <p>Investment property is initially recognized at cost.</p> <p>Subsequent measurement — fair value model or cost model.</p> <p>Disclosure of the fair value is required when the cost model is used.</p> <p>Subsequent expenditure is capitalized only when it is probable it will give rise to future economic benefits.</p>

Liabilities/equity

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Provisions	Practice is similar to IFRS. However, no discounting is required.	IAS 37	<p>Recognize provision in the statement of financial position for present obligation arising from past events, if an outflow of resources is probable and can be reliably estimated.</p> <p>Discounting is required if time value is material.</p>
Equity classification	Shares and units are classified as equity.	IAS 32	<p>Redeemable shares may be puttable instruments and classified as liabilities irrespective of their legal form.</p> <p>However, if certain conditions are complied with, redeemable shares are classified as equity.</p>

Revenue

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Revenue from contracts with customers	<p>Not addressed.</p> <p>All income relating to the current year must be accounted for whether paid or not.</p>	IFRS 15	<p>Single revenue recognition model to apply consistently across all contracts with customers. The model consists of five steps:</p> <ol style="list-style-type: none"> 1. Identify the contract with a customer. 2. Identify the performance obligation. 3. Determine the transaction price. 4. Allocate the transaction price. 5. Recognize revenue. <p>Revenue recognized at a point in time or over time.</p>
Interest and dividend income	<p>Interest is recognized on an accrual basis.</p> <p>Dividends are recognized when the fund's right to receive payment is established.</p>	<p>IAS 18</p> <p>IFRS 9</p>	<p>Interest is recognized on an accrual basis using the effective interest method.</p> <p>Dividends are recognized when the fund's right to receive payment is established.</p>
Earnings per share	<p>Not addressed.</p> <p>In practice, earnings per share are not disclosed unless required in countries of distribution.</p>	IAS 33	<p>Basic and diluted earnings per share must be disclosed in the statement of comprehensive income and in the notes for each class of ordinary shares that are publicly traded.</p>

Expenses

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Expenses — recognition	Expenses are recognized when incurred or when probable. Interest expense is recognized on an accrual basis.	IAS 1	The recognition of expenses directly results from the recognition and measurement of assets and liabilities. Expenses are recognized in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in assets — or in an outflow of future economic benefits due to an increase of a liability — has arisen that can be measured reliably.
Expenses — transaction costs	For UCITS funds, transaction costs should be disclosed either in the notes or as a separate item in the statement of operations.	IFRS 9	Transaction costs in respect of instruments classified at fair value through profit or loss are recognized in the profit or loss when incurred. For other categories, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are included in the acquisition cost.
Expenses — dividends to shareholders	Dividends are either recorded in the statement of changes in net assets (equity) or statement of operations and changes in net assets.	IAS 32	Dividends relating to a financial instrument or a component that is a financial liability shall be recognized as income or expense in profit or loss. Distributions to holders of an equity instrument shall be recognized by the entity directly in equity.
Tax expense	Not specified under Lux GAAP.	IAS 12	Tax expense (or tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.
Current tax	Not specified under Lux GAAP. It is usually included under the heading 'tax on profit or loss'.		Current tax is the amount of income taxes (recoverable) in respect of taxable profit or tax loss for a period.
Deferred tax	As per the Accounting Law, deferred tax is the difference between the tax charged for the financial year and for earlier financial years and the amount of tax paid or payable in respect of those years.		Deferred is tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its assets and liabilities for their current carrying amount, and as a result of tax effect of the carry forward of currently unused tax losses and tax credits. Deferred tax asset/liability is recognized for all temporary differences between the tax base of an asset/liability and its carrying amount in the financial statements, except for the cases when the DTL/DTA arise from:

Expenses

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Deferred tax		IAS 12	<ul style="list-style-type: none"> - Initial recognition of goodwill (DTL). - Initial recognition of an asset and liability in a transaction which is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit (tax loss). (DTL and DTA). <p>Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled.</p> <p>Deferred tax assets are recognized to the extent that it is probable that a future taxable profit will be available.</p>
Withholding tax	Interest and dividends are shown net of withholding taxes.	IAS 12	Income and dividends received are usually shown as gross in the statement of comprehensive income, and the withholding taxes are represented as a separate line as income tax for the period.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Contingent assets and liabilities	Practice is similar to IFRS.	IAS 37	<p>Possible assets whose existence is uncertain — not recognized on the balance sheet.</p> <p>Present obligations that arise from past events with uncertainties about either the probability of outflows of resources, the amount of outflows, or possible obligations when the existence of an obligation is uncertain — not recognized unless in a business combination.</p> <p>Detailed disclosures in the notes to the financial statements is required unless probability is remote.</p>
Related party transactions	Lux GAAP refers to IAS 24 for the definition of a related party.	IAS 24	<p>A related party is a person or entity that is related to the entity preparing its financial statements.</p> <p>a. A person or a close member of that person's family is related to a reporting entity if that person:</p> <ul style="list-style-type: none"> i. has control, or joint control, of the reporting entity ii. has significant influence over the reporting entity or iii. is a member of the key management personnel of the reporting entity or a parent of the reporting entity. <p>b. An entity is related to a reporting entity if any of the following conditions apply:</p> <ul style="list-style-type: none"> i. The entity and the reporting entity are members of the same group (meaning each parent, subsidiary and fellow subsidiary is related to the others). ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). iii. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. iv. The entity is controlled or jointly controlled by a person identified in (a).

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Related party transactions		IAS 24	<p>v. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).</p> <p>vi. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.</p> <p>For related party transactions — their nature, the transaction amounts, the outstanding balance at year-end and their terms and conditions must be disclosed. Disclosure is also required if there are management compensations for key management personnel.</p>
Functional currency — transactions in another currency	Not specifically addressed. Practice is similar to IFRS.	IAS 21	<p>Foreign currency transactions are converted into functional currency at rates prevailing on the transaction date.</p> <p>At period end, monetary items are converted at the closing rate.</p> <p>Non-monetary items measured at historical cost are translated at the rate on the transaction date. Non-monetary items, measured using the revaluation model or held at fair value, are translated at the date of the revaluation.</p> <p>Differences arising are recognized in profit and loss or by using the recognition method applied to gains/losses from revaluation.</p>
Functional currency — foreign operations	Practice is similar to IFRS.	IAS 21	<p>Financial statement of entities included in the consolidation are translated into the group's presentation currency as follows:</p> <ul style="list-style-type: none"> - Assets and liabilities are translated at the closing rate. - Income and expenses are translated at the rate on the transaction date (or the average rate for simplification purposes). <p>All exchange differences are recognized in OCI.</p>

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Extraordinary/ exceptional items	<p>Its use should be infrequent.</p> <p>The impact of extraordinary/exceptional items shall be shown in the notes only.</p>	IAS 1	<p>Prohibited.</p> <p>Separate disclosure is required for items that are of such size, incidence or nature that a separate disclosure is necessary to explain the reporting entity's performance.</p>
Subsequent events	<p>Financial statements are adjusted for events that provide evidence of conditions at the date of the financial statements — even if such liabilities become apparent only between the date of the balance sheet and the date in which it is drawn up.</p> <p>Non-adjusting events are disclosed.</p>	IAS 10	<p>Financial statements are adjusted for events that provide evidence of conditions at the date of the financial statements and have a material impact on the amounts presented.</p> <p>Non-adjusting events are disclosed.</p>
Segment reporting	<p>Not addressed.</p> <p>In practice, there is no segment reporting but reporting per sub-fund</p>	IFRS 8	<p>Segment reporting applies to entities where equity or debt securities are publicly traded, or are in the process of issuing such securities.</p> <p>Segment reporting requires specific segment disclosures and entity-wide disclosures.</p> <p>Operating segments are reportable if they meet any of three quantitative threshold tests, based on revenues, profits and assets.</p>
Offsetting	<p>A financial asset and a financial liability can be offset and the net amount reported when an entity has a legally enforceable right to set off the amounts, with the disclosure note showing the gross amounts.</p>	IAS 32	<p>A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity:</p> <ul style="list-style-type: none"> i. has a legally enforceable right to set off the amounts and ii. intends to either settle on a net basis, or to simultaneously realize the asset and settle the liability. <p>Offsetting of financial assets and liabilities and the effect of potential netting arrangements will require specific disclosure requirements.</p>

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Consolidated financial statements — basis for consolidation	<p><i>For SICAVs</i></p> <p>The commercial law of 10 August 1915 as subsequently amended applies.</p> <p>Consolidated financial statements are required if the entity has at least one subsidiary, unless the specific exemptions permit or require otherwise under other laws.</p> <p><i>For FCPs</i></p> <p>No guidance is provided.</p> <p>Combined figures of subfunds are required in accordance with Chapter L of CSSF Circular 91/75.</p>	IFRS 10	<p>An entity that is a parent shall present consolidated financial statements, except for the following:</p> <p>a. A parent need not present consolidated financial statements if it meets all the following conditions:</p> <ul style="list-style-type: none"> - It is a wholly- or partially-owned subsidiary of another entity and all its other owners — including those not otherwise entitled to vote — have been informed about, and do not object to, the parent not presenting consolidated financial statements; - Its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets). - It did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. - Its ultimate or any intermediate parent produces financial statements that are available for public use and comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10. <p>b. Investment entities exception: a parent that is an investment entity shall not present consolidated financial statements if it is required. Instead, its investments in subsidiaries will be measured at fair value through profit or loss in accordance with IFRS 9.</p>

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Consolidated financial statements — basis for consolidation		IFRS 10	<p>In order to qualify, an investment entity should:</p> <ol style="list-style-type: none"> i. Obtain funds from one or more investors for the purpose of providing those investors with investment management services. ii. Commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation and/or investment income. iii. Measure and evaluate the performance of substantially all its investments on a fair value basis. iv. In assessing the qualification definition, an entity shall consider whether it has the following typical characteristics of an investment entity: <ul style="list-style-type: none"> - It has more than one investment. - It has more than one investor. - It has investors that are not related parties of the entity. - It has ownership interests in the form of equity or similar interest.
Subsidiary — definition	<p>Entity controlled by another entity.</p> <p>Control exists if the parent company:</p> <ul style="list-style-type: none"> - Has the majority of voting rights in another undertaking. - Has the right to appoint or remove the members of the board or the supervisory body and is at the same time a shareholder or a member of the undertaking. - Is a shareholder and controls alone, pursuant to an agreement with other shareholders, the majority of the voting rights. 	IFRS 10	<p>IFRS 10 defines a subsidiary as an entity controlled by another entity.</p> <p>An investor controls an investee if, and only if, the investor meets all the following criteria:</p> <ol style="list-style-type: none"> i. Power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns). ii. Exposure, or rights, to variable returns from its involvement with the investee. iii. The ability to use its power over the investee to affect the amount of the investor's returns.
Associate — definition	<p>Entities over which the investor has significant influence. Significant influence is presumed from a 20% holding.</p>	IAS 28	<p>Entities over which the investor has significant influence. Significant influence is presumed from a 20% holding — and whenever the investor has the power to participate in the financial and operating policy decision process without controlling these policies.</p>

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure
Associate — accounting treatment	Investments in associates are initially accounted for at purchase price and the expenses incidental thereof — and subsequently mainly measured at fair value.	IAS 28	<p>Investments in associates are accounted for using the equity method in the consolidated financial statements — except for qualifying investment entities where these investments are accounted for at fair value through profit or loss.</p> <p>Associates are initially recognized at cost, and the carrying amount is adjusted in subsequent periods to reflect changes in the investor's share of the associates' net assets.</p>
Associate — accounting treatment		IFRS 9	Scope exemption under IAS 28: investments in associates held by venture capital organizations or mutual funds, unit trusts and similar entities, including investment-linked insurance funds, are measured at FVTPL in accordance with IFRS 9.
Master feeder structures	<p>The report of a feeder UCITS must indicate how the annual and half-yearly report of the master UCITS can be obtained.</p> <p>For non-UCITS funds, no guidance is provided.</p> <p>Master accounts may be annexed in feeder funds' accounts.</p>	IFRS 10	If the Feeder meets the definition of an investment entity, investment in Master Fund will be measured at FVTPL in accordance with IFRS 9.

Publications



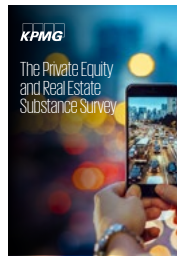
European Responsible Investing Fund market 2019



Automate intelligently innovate ingeniously



Withholding Tax Study 2019



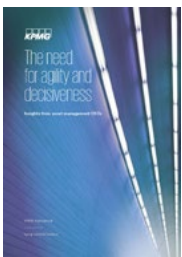
Substance Survey



Private debt fund survey 2019



Value for Funds



Global Asset Management CEO Outlook 2019



IFRS 16 Leases: IFRS vs Luxembourg GAAP



Sustainable Investing



Sustainable finance: it's action time

IFRS Accounting Services

1 IFRS CONVERSION

With IFRS becoming the common language for financial reporting, it is vital that companies fully understand these principle-based standards and the business impact of adopting these.

For your IFRS conversion we can:

- Perform GAP Analysis to identify key differences between previous GAAP and IFRS
- Quantify key differences identified and prepare opening balance sheet as of IFRS transition date
- Assess the impact of IFRS conversion on business, IT systems, tax and other regulatory aspects
- Prepare IFRS based accounting policy and group reporting manuals
- Set-up efficient IFRS group reporting

2 IFRS TRAININGS

It is essential for companies to keep up to date with new developments as IFRS continues to evolve. Our experts can help you achieve this by providing:

- Tailored trainings to suit your unique circumstances accompanied by worked examples and case studies
- Updates on new standards and amendments
- Experts with robust technical skills and practical knowledge
- Web-based, classroom and one-on-one sessions

3 NEW IFRS STANDARDS

New accounting standards and amendments may affect not only your balance sheet and reported results but also have an impact on the business you run. Our team of experts can help you:

- Perform initial impact assessment on financial reporting and tax
- Quantify the impact
- Review your calculations and provide assurance on details and methodologies used
- Select and implement IT systems

4 SPECIFIC IFRS MATTERS

We can help you analyze and reach the right accounting answer for complex transactions from the perspective of IFRS requirements and your business reality. We propose to:

- Review accounting analysis performed by you
- Assist in preparation of accounting position paper
- Provide an accounting opinion on particular transaction
- Prepare accounting manual and help choosing accounting policy
- Assist you in performing purchase price allocation ("PPA") and provide technical guidance in relation to your business combinations
- Provide a telephone hot-line for ad hoc requests

5 IFRS POLICY

- KPMG Insights into IFRS hard copy and eBook, EUR 210
- Access to library of eLearnings for new and existing IFRSs
- Participation to our breakfast or lunch events for a yearly IFRS update for 1 person 1 day (IFRS for banks or corporate), additional persons at EUR 1 000 per day for policy holders and 1 100 without (PWC charges starting from 1 100 per day)
- Telephone hot-line for ad hoc requests 4 hours per month (totaling to 6 days in year).
- Practice calls for new requirements of CSSF regarding IFRS, e.g. survey of leases.

6 XBRL SOLUTIONS

The European Single Electronic Format (ESEF) will require issuers with securities admitted to trading on regulated markets to prepare annual financial reports in XHTML from 1 January 2020 onwards. Companies that prepare consolidated financial statements in accordance with IFRS must tag those financial statements using iXBRL. KPMG's experts can provide you with:

- Company-tailored ESEF workshops
- Selection and implementation of a suitable XBRL software solution
- Preparation or review of ESEF-compliant Annual Financial Reports

About KPMG Luxembourg

KPMG firms provide audit, tax and advisory services and industry insight to help organisations negotiate risks and perform in the dynamic and challenging environments in which they do business.

We operate in 153 countries and have more than 207,000 professionals working in member firms around the world. KPMG in Luxembourg is a leading provider of professional services, with over 1,650 employees. Our approach to relationships and service delivery is designed to help clients exploit new opportunities, improve performance and manage risk.

Services provided by KPMG to the investment management industry

We aim to provide you with a tailored service of the highest standard.

- Our **Audit and Assurance** services include statutory audits, contribution in kind/merger reports, ISAE 3402/ ISAE 3000 reports.
- Our **Tax** services include processing withholding tax reclaims, operational tax reporting, VAT services, tax structuring in relation with private equity and real estate investments, analysis of transfer pricing arrangements and corporate tax returns.
- Our **Management Consulting** services support asset management players in improving their operational efficiency, aligning their business and their IT strategies and running transformation projects.
- Our platform of services dedicated to management companies / AIFM and funds including the following services:
 - **Accounting and regulatory reporting**
 - Accounting and domiciliation of SPVs
 - Corporate secretarial services
 - Financial statements compilation, including IFRS
 - **Tax and Regulatory reporting**
 - International Fund Tax reporting
 - AIFMD reporting
 - Health-check for AI funds
 - VAT-savvy fund services
 - Transfer pricing
 - **Risk management**
 - Risk management reporting (including VaR and commitments approaches)
 - Eligible assets and investment restrictions monitoring
 - Asset valuation review
 - **Distribution**
 - Cross-border registration with foreign regulators
 - KID PRIIPS compilation including performance scenario and SRI computation Solvency, VAG, CRR, GromikV reporting for distribution to insurance companies and banks
 - Factsheet compilation
 - **Regulatory and compliance advisory services**
 - Internal audit insourcing
 - Preparation of License application files
 - AML and KYC compliance review
 - Fund liquidation
 - AIFM license assistance
 - Valuation services for AIFMs
 - CSSF Circular 18/698 Gap analysis
 - Risk Advisory Solution for AIFs
 - **Technology based solutions**
 - Digital labour (Robotic process automation) services
 - Accounting and advisory services
 - AIFMD reporting
 - Institutional investor reporting
 - Risk management and reporting
 - FATCA and CRS entity classification
 - Withholding tax health-check
 - Registration and maintenance (distribution support) services
 - Private Equity / Real Estate systems implementation services
 - Mandatory Disclosure Rules (MDR) health-check
 - Governance and Oversight (Tool) Solutions



Contact

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