A comparison between Luxembourg GAAP, IFRS and US GAAP

Investment funds financial statements

www.kpmg.lu

November 2021

Introduction

We are pleased to present the first edition of our brochure comparing Luxembourg Generally Accepted Accounting Principles (Lux GAAP) vs. the International Financial Reporting Standards (IFRSs) vs. the Generally Accepted Accounting Principles in the United States (US GAAP).

More and more US-based asset managers are choosing Luxembourg as the domicile for their alternative investment funds (AIFs). Some of the common questions they ask relate to whether they can keep the US GAAP principles for their current fund structures and what the main differences are between the three accounting standards – Luxembourg GAAP, IFRS and US GAAP.

On 21 July 2021, the AIFM law of 12 July 2013 was amended, specifying that the accounting principles acceptable for an AIF in the form of a special limited partnerships ("SCSp") are those per the law of 19 December 2002 and those considered as equivalent as per the modified decision of the EU Commission of 12 December 2008 regarding the acceptability of the GAAP of certain countries as equivalent to IFRS for the use within the community. This means that financial statements for SCSps set up as AIFs can be prepared under US GAAP as accounting principle. With this new legislation coming into force in Luxembourg, there is a growing need for both asset managers and investors to understand the differences between these three standards.

The purpose of this publication is to provide a brief overview of the key differences and similarities between the generally accepted accounting principles that apply to investment funds in Luxembourg, IFRS and US GAAP and is based on the Lux GAAP, IFRS and US GAAP topics in issue that must be applied by an entity with an annual accounting period beginning on or after 1 January 2021.

This brochure does not provide an exhaustive list of differences that exist or may exist. Additionally, certain investment vehicles may require specific disclosures. Please note that interpretations change over time. Users of this publication should keep abreast of 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 Lux GAAP, IFRSs and US GAAP, or training in these matters, we would be happy to help. We also offer a range of publications that provide additional information on related topics, including *Insights into IFRS, Illustrative IFRS financial statements, IFRS Practical Issues, US GAAP Illustrative Financial Statements for Hedge Funds and US GAAP Illustrative Financial Statements for Private Equity.*

November 2021

Christophe Diricks

Partner
Head Of Alternative Investments

Victor Chan Yin

Partner
Alternative Investments

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.
IFRS	International Financial Reporting Standard (IFRS) as adopted by the European Union.
Lux GAAP	Generally Accepted Accounting Principles applicable to investment funds in Luxembourg.
US GAAP	Generally accepted accounting principles in the United States.
AIFMD	Alternative Investment Fund Managers Directive.

Editorial team

Victor Chan Yin

Excee Tan

Gaultier Saussine

Damila Mootien

Maurice Ruvimbo Matewa

Financial reporting framework

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP 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.	IFRS 10	An investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.	ASC 946	The Financial Services – Investment Companies topic provides incremental industry-specific guidance for entities that meet the assessment of investment company status as per ASC 946.
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.	-	No specific standard. Practice is generally full retrospective application unless the transitional provisions in a specific standard require otherwise.
Basis of preparation	Financial statements are prepared on a going concern basis, unless management intends or has no realistic alternative other than to liquidate the entity or to stop trading.	IAS 1	Financial statements are prepared on a going concern basis, unless management intends or has no realistic alternative other than to liquidate the entity or to stop trading.	ASC 205	Financial statements are generally prepared on a going concern basis, unless liquidation is imminent.

Financial reporting framework

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Materiality and aggregation	Items may not be aggregated. Not addressed under Lux GAAP.	IAS 1 IFRS Practice Statement 2: Making Materiality Judgments	Items may be aggregated, provided that material and dissimilar items are presented separately. No disclosure is required in the notes if items are immaterial. Omissions or misstatements of items are material if they could, individually or collectively, influence, the economic decisions that users make on the on the basis of the financial statements	SAB Topic 1.N ASC 105 10 05 6	Materiality is not specifically defined under authoritative US GAAP. However, the SEC staff's interpretative guidance that is derived from the Supreme Court precedent refers to "materiality" and defines it as "a substantial likelihood that the fact would have been viewed by a reasonable investor as having significantly altered the total mix of information made available". In addition, the evaluation contains both quantitative and qualitative aspects. SEC registrants have to evaluate materiality based on all relevant qualitative and quantitative factors. Accounting policies in accordance with US GAAP do not need to be applied when their effect is 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.	-	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.	-	The accounting principles adopted by an entity are applied consistently to all similar items. US GAAP does not require uniform accounting policies to be applied to similar items within a group.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Content of the financial statements	Per Schedule B of the fund law of 17 December 2010: - 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. 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. AIFMD disclosures. Description of the investment portfolio (qualitative and/ or quantitative information).	IAS 1	- 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 to the financial statements. *Note: The statement of changes in net assets attributable to redeemable shareholders is not a mandatory statement required by IAS. It is highly recommended and is considered as best practice for better understanding of the financial statements.*	ASC 946- 205-45	- Statement of assets and liabilities with a schedule of investments or a statement of net assets, which includes a schedule of investments therein. - Statement of operations. - Statement of changes in net assets or statement of changes in partners'/members' capital/ equity. - Statement of cash flows. - Financial highlights. - Notes to the financial statements.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Comparative figures	Per Schedule B of the fund law of 17 December 2010: 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.	IAS 1	At least one year of comparative financial information is required for all amounts reported in the financial statements.	Subtopic 205-10	For non-SEC registrants, financial statements for the comparative period are encouraged but not required. SEC registrants are required to present statements of financial position as at the end of the current and prior reporting periods; all other statements are presented for the three most recent reporting periods.
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	No prescribed format. Generally, an entity presents its statement of financial position classified between current and non-current assets and liabilities. An unclassified statement of financial position based on the order of liquidity is acceptable only if it provides reliable and more relevant information	ASC 205	US GAAP does not contain a requirement to present a classified statement of financial position. There is no restriction on when an unclassified statement of financial position based on the order of liquidity can be presented.
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.	ASC 946-205-45	Net investment income or loss, net realized gains or losses from investments and foreign currency transactions, and changes in unrealized appreciation or depreciation on investments and translation of assets and liabilities in foreign currencies should be as shown separately in the statement of operations.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Presentation of statement of changes in equity/ statement of changes in net assets	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. Subscriptions, redemptions, dividend payments and result for the period are shown in the statement of operations and changes in net assets. No reconciliation is required for each class of shares, but per subfund instead.	IAS 1	Statement shows capital transactions with owners and other comprehensive income. Disclosure of the reconciliation between the balances of each component of equity at the beginning and the end of the period. 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.	ASC 946-205-45	The statement of changes in net assets summarizes results from operations, net equalization credits or debits, dividends and distributions to shareholders, capital share transactions, and capital contributions. The increase or decrease in net assets of a registered investment company comprises the following categories: - Operations. Net investment income or loss, net realized gains or losses from investments and foreign currency transactions, and changes in unrealized appreciation or depreciation on investments and translation of assets and liabilities in foreign currencies, as shown in the statement of operations, shall be presented separately to arrive at the net change in net assets resulting from operations. - Net equalization debits or credits. If equalization accounting is used, undistributed investment income included in the price of capital shares issued or reacquired shall be shown as a separate line item. - Distributions to shareholders. Distributions shall be disclosed as a single line item, except for tax return of capital distributions, which shall be presented separately.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Presentation of statement of cash flows	No cash flow statement is required.	IAS 7	Cash flow statement is classified by: - Cash flow from operating activities presented either by the direct or indirect method. - Cash flow from investing activities. - Cash flow from financing activities.	ASC 230	Cash flow statement is classified by: - Cash flow from operating activities presented either by the direct or indirect method. - Cash flow from investing activities. - Cash flow from financing activities. An investment company may be exempted from the requirement to provide a statement of cash flows if all of the following conditions are met: - During the period, substantially all of the entity's investments were carried at fair value and classified in accordance with Topic 820 as Level 1 or Level 2 measurements or were measured using the practical expedient in paragraph 820-10-35-59 to determine their fair values and are redeemable in the near term at all times. - The entity had little or no debt, based on the average debt outstanding during the period, in relation to average total assets. For the purpose of determining average debt outstanding, obligations resulting from redemptions of shares by the entity from unsettled purchases of securities or similar assets, or from covered options written generally may be excluded. However, any extension of credit by the seller that is not in accordance with standard industry practices for redeeming shares or for settling purchases of investments shall be included in average debt outstanding. - The entity provides a statement of changes in net assets.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Statement of cash flows — definition of cash and cash equivalent	No cash flow statement is required.	IAS 7	Cash is made of cash on hand and demand deposits. 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. 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.	ASC 230	Cash represents cash on hand and demand deposits held at financial institutions. Cash equivalents include short-term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash equivalents are held to meet short-term liquidity requirements rather than for investment purposes. Restricted cash is subject to legal or contractual restriction by third parties as well as a restriction as to withdrawal or use, including restrictions that require that the funds to be used for specified purposes and restrictions that limit the purposes for which the funds can be used.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Disclosure initiative	No cash flow statement is required.	IAS 7	There is a requirement to provide disclosures that enable the evaluation of changes in liabilities arising from financing activities. *Interest and dividends paid* Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities. *Non-cash investing and financing activities* Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.	ASC 230	Disclosures related to changes in liabilities from financing activities, and related financial assets, are not required. *Interest and income taxes paid* If the indirect method is used, amounts of interest paid (net of amounts capitalized) and income taxes paid during the period shall be disclosed. Generally, income taxes are classified as operating activities. *Non-cash investing and financing activities* Information about all investing and financing activities of an entity during a period that affect recognized assets or liabilities but that do not result in cash receipts or cash payments in the period shall be disclosed.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Schedule of investments	Required per Schedule B of the fund law of 17 December 2010. Portfolio, distinguishing between: 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). 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.	-	Not required, but usually disclosed.	ASC 946	Information to be disclosed in the schedule of investments: i. Type of investment. ii. Country or geography. iii. Industry. iv. Percent of net assets that each such category represents and the total fair value and cost for each category in (ii) and (iii). v. The name, number of shares or principal amount, fair value, and type of: - each investment constituting more than 5 percent of net assets. - all investments in any one issuer aggregating more than 5 percent of net assets. There is more required disclosure if an entity invests in derivatives and/or in other investment companies. Please refer to the guidance for more information.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Net asset value/ net asset value per share	Required per Schedule B of the fund law of 17 December 2010. 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.	-	Not required, but usually disclosed. 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.	ASC 946-505-50	Net asset value per share should be disclosed for each class of share.
Presentation of the notes	No prescribed format.	IAS 1	No prescribed format.	-	No prescribed format.
Derogation from the application of the accounting policies	Derogation is allowed in accordance with the Accounting Law (SICAV/SICAF).	-	Not allowed.	-	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	A change in accounting principle is applied retrospectively, including any income tax effect. This is done by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented, unless this is impracticable. Depending on the type of changes, there are several disclosure requirements specified by IAS 1.28.31	ASC 205	Accounting principle changes are generally made by adjusting opening equity and comparatives unless this is impracticable. Errors are corrected by restating opening equity and comparatives. There is no impracticability exemption.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Correction of errors in prior year's financial statements	The opening balance sheet for each financial year must correspond to the closing balance sheet of the preceding financial year. This implies that the retrospective application is not allowed. 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 adapted, this must be disclosed in the notes of the accounts with relevant comments.	IAS 8	Adequate disclosures should be made. A prior period is corrected by retrospective restatement, except to the extent that it is impracticable to determine either: - the period-specific effects or - the cumulative effect of the error. 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.	ASC 205	US GAAP describes an "error" as an error in recognition, measurement, presentation or disclosure in financial statements resulting from mathematical mistakes, mistakes in the application of US GAAP or the oversight or misuse of facts that existed when the financial statements were prepared. A change in accounting principle from one that is not generally accepted, to one that is, is also the correction of an error. Material period errors are corrected by restating comparative information. However, there is no impracticability exemption under US GAAP.
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.	ASC 205	Changes in accounting estimates are accounted for prospectively.

Financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Interim financial reporting	Condensed format prescribed by Schedule B (Chapter I to IV) of the law of 17 December 2010. Not applicable to specialized investment funds and reserved alternative investment funds.	IAS 34	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. 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. The accounting policies applied are those that will be applied in the current year's annual financial statements. Frequency of reporting is imposed by local regulators or at the discretion of the reporting entity. 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.	ASC 270	Interim financial statements contain either a complete or a condensed set of financial statements for a period shorter than a financial year. The following, at a minimum, are presented in condensed interim financial statements: - Condensed statement of financial position. - Condensed statement of comprehensive income. - Condensed statement of cash flows. - Selected explanatory notes. However, unlike IFRS Standards, a condensed statement of changes in equity is not required. Each interim period is viewed as an integral part of the annual period to which it relates. The accounting policies applied in the interim financial statements are generally those that will be applied in the next annual financial statements.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP 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.	ASC 350	Formation expenses are expensed as incurred.
Financial instruments — classification	Investments: Per Schedule B of the fund law of 17 December 2010: a. Transferable securities admitted to the official exchange listing. b. Transferable securities dealt in on another regulated market. c. Transferable securities of the type referred to in Article 41 (1) d). d. Other transferable securities of the type referred to in Article 41 (2) a). Other assets and liabilities are not defined.	IFRS 9	Financial assets are classified based on: - The entity's business model for managing financial assets. - The contractual cash flow characteristics of the financial asset (SPPI test). On initial recognition, a financial asset is classified into one of three primary measurement categories: - Amortized cost; - Fair value through other comprehensive income (FVOCI); or - Fair value through profit or loss (FVTPL). Financial liabilities are generally classified into two measurement categories: - Amortized cost; or - FVTPL. Financial liabilities classified as at FVTPL are further sub-categorized as held-for-trading (which includes derivatives) or designated as at FVTPL on initial recognition.	ASC 310	US GAAP does not have classification categories that are broadly applied to all financial assets. However, US GAAP does have classification categories for certain financial assets. Debt securities are classified as: held-for-trading, available-for-sale or held-to-maturity. Also, loans are either classified as held-for-sale or held-for-investment. There is no business model assessment for determining the classification of financial assets. There is no concept of SPPI for the classification of financial assets under US GAAP. Classification categories for financial liabilities are not prescribed. However, in practice, financial liabilities that are not measured at fair value are generally measured at amortized cost. There is no sub-categorization of financial liabilities as held-for-trading. Financial liabilities may be designated as at FVTPL, depending on the eligibility criteria.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Financial instruments — recognition	At trade date when and only when the entity becomes party to its contractual terms.	IFRS 9	Financial assets and financial liabilities, including derivative instruments, are recognized in the statement of financial position when the entity becomes a party to the instrument. However, "regular-way" purchases and sales of financial assets are recognized and derecognized using either trade date or settlement date accounting.	ASC 405	Financial assets and financial liabilities, including derivative instruments, are recognized in the statement of financial position at trade date. However, certain industries are required to use trade date accounting for "regular-way" transactions; otherwise US GAAP is silent and practice varies.
Financial instruments — measure-ment	Purchase price plus transaction costs. Subsequent measurement — fair value. For specialized investment funds, subsequent measurement can be on another basis than fair value if provided for in the management regulations.	IFRS 9; IFRS 13	*Subsequent measurement and gains and losses:* 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. 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.	ASC 310 ASC 320 ASC 325 ASC 405 ASC 820 ASC 825	Certain financial assets are subsequently measured at fair value or amortized cost. Loans held for sale are measured at the lower of cost and fair value. Also, an alternative measurement basis is available for equity securities without readily determinable fair values. If a financial asset is measured at fair value, then changes in its fair value are recognized as follows: - Available-for-sale debt securities: changes in fair value are recognized in OCI, except for interest and credit losses, which are recognized in profit or loss. - The amount recognized in OCI includes foreign exchange gains and losses. On derecognition any gains or losses accumulated in OCI are reclassified to profit or loss.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
			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. 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. 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. 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.		- Equity securities with readily determinable fair values, financial assets for which the fair value option is elected and debt securities held for trading: all changes in fair value are recognized in profit or loss.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
			Reclassification 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.		*Reclassification* Classification categories for financial liabilities are not prescribed. Election of the fair value option is irrevocable and has to be made on initial recognition or on the occurrence of a remeasurement event. Therefore, subsequent reclassification of financial liabilities between amortized cost and fair value is prohibited.
Financial instruments — derecog-nition	Practice is similar to IFRS.	IFRS 9	*Asset derecognition* Financial assets can only be derecognized when: - 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. *Liability derecognition* Financial liabilities shall be removed from the Statement of Financial Position when, and only when, they are extinguished — i.e. the contractual obligation is discharged, canceled or expires.	ASC 405	*Asset derecognition* The derecognition model for transfers of financial assets focuses on surrendering control over the transferred assets; the transferor has "surrendered" control over transferred assets only if certain conditions are met. "Risks and rewards" is not an explicit consideration when testing a transfer for derecognition. Rather, an entity derecognizes a transferred financial asset or a participating interest therein if it surrenders legal, actual and effective control of the financial asset or participating interest. *Liability derecognition* A financial liability is derecognized when it is extinguished. This may happen when: - he debtor pays the creditor and is relieved of its obligation for the liability; - the debtor is legally released from being the primary obligor under the liability either judicially or by the creditor; or - there is an exchange or modification that results in debt instruments with substantially different terms.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Fair value — definition	As per Art 64ter of the Accounting Law, fair value shall be determined by reference to: 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. 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.	ASC 820	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.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP 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. Valuation techniques used to measure fair value fall into three approaches: - market approach; - income approach; and - cost approach. Net asset value IFRS Standards do not include an exception that allows the use of net asset value (NAV) as a practical expedient. In our view, an entity may only measure investments on the basis of NAV when NAV is representative of fair value.	ASC 820	In measuring the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Valuation techniques used to measure fair value fall into three approaches: - market approach; - income approach; and - cost approach. Net asset value practical expedient NAV may be used as a practical expedient to measure fair value when: - the investment does not have a readily determinable fair value; and - the investment is in an investment company, or is an investment in a real estate fund for which it is industry practice to measure assets at fair value on a recurring basis and to issue financial statements that are consistent with the measurement principles applied to investment companies.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Fair value — disclosures	No disclosure requirements for liquid assets. Per Article 64quinquies and 64octies of the Accounting Law, more detailed disclosures are required for the valuation of illiquid positions.	IFRS 13 IFRS 7	Extensive disclosure requirements (both quantitative and qualitative) for financial instruments. Some of the disclosure requirements are: - 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. Please note that this list is not exhaustive. Please refer to IFRS 13 and IFRS 7 for more guidance. Quantitative disclosures are required in a tabular format, unless another format is more appropriate. 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: - Level of fair value hierarchy. - Qualitative and quantitative information on inputs. - Valuation techniques used to determine the fair value.	ASC 820	Some of the disclosure requirements under US GAAP are: - Fair value hierarchy. Note: There is no requirement for entities to categorize investments measured using the NAV practical expedient in the hierarchy, and simplified disclosures apply. - Valuation technique and inputs, the effects of measurements on profit and loss if significant unobservable inputs are used. From a financial risk management perspective, US GAAP does not require specific qualitative disclosures in respect of financial instruments other than related to credit risk. Instead, qualitative disclosures about market risk including interest rate risk, foreign currency risk, commodity price risk and other relevant price risk are required to be made by SEC registrants outside the financial statements in management's discussion and analysis (MD&A). Please note that the list is not exhaustive. Please refer to the relevant standard for more guidance.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Impairment of assets	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. The value adjustments may not continue if the reasons why the value adjustments were made have ceased to apply.	IFRS 9	Under IFRS 9, impairment is based on the forward-looking "expected credit loss" (ECL) model. The impairment model applies to financial assets measured at amortized cost, or FVOCI, except for investments in equity instruments. Under IFRS 9, loss allowances will be measured on either of the following bases: - 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. *Write-off* 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.	ASC 326	The impairment model is an expected credit loss model, which means that it is not necessary for a loss event to occur before an expected credit loss is recognized. As a result, all financial instruments in its scope generally carry a loss allowance, even if the risk of loss is remote. The ECL model uses a single measurement approach based on lifetime ECLs. Lifetime ECLs are recorded upon initial recognition of an instrument. The measurement approach remains consistent throughout the life of the instrument. *Write-off* The amortized cost basis of a financial asset and its related allowance for credit losses are written off in the period in which the financial asset is deemed uncollectable. Due to differences in wording and specific requirements for regulated entities, the timing of write-offs under US GAAP may be different. Write-offs can relate to a financial asset in its entirety, or a portion of it. The write-off of an asset is not in and of itself a derecognition event.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Investment property	Investment property is initially recognized at cost. Subsequent measurement — either historical cost or at fair value. Subsequent expenditure — not addressed. In practice, subsequent expenditure is capitalized only when it is probable it will give rise to future economic benefits	IAS 40	Investment property is a property held to earn rental income, or capital appreciation, or both. Investment property is initially recognized at cost. Subsequent measurement — fair value model or cost model. Disclosure of the fair value is required when the cost model is used. Subsequent expenditure is capitalized only when it is probable it will give rise to future economic benefits.	ASC 360	There is no specific definition of "investment property"; such property is accounted for as property, plant and equipment unless it meets the criteria to be classified as held-for-sale. Investment property is initially measured at cost, as property, plant and equipment. Subsequent to initial recognition all investment property is measured using the cost model as property, plant and equipment. There is no requirement to disclose the fair value of investment property held at cost. Real estate investments held by entities qualifying as investment companies and entities that follow specialized industry accounting practices for investment companies are carried at FVTPL. Subsequent expenditure is capitalized only when it is probable it will give rise to future economic benefits.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Impairment of investment property under the cost model	Where tangible assets have suffered a durable loss in value, value adjustment is recorded to reflect this loss. These value adjustments are not continued if the reasons for which they were made have ceased to apply.	IAS 16 IAS 40	For Investment properties under cost model and therefore within scope of IAS 16, an impairment loss is recognized when asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use based on discounted cashflows. If there is an indication that a previously recognized impairment loss has reversed, the reversal is recorded in the books.	ASC 360	For long-lived assets subject to depreciation, if carrying amount is not recoverable then impairment is the difference between carrying amount and fair value of the asset. Cashflows used to assess the recoverability of depreciable assets are not discounted. The concept of "value in use" is not used in US GAAP and costs to sell are not included in determining whether assets held for sale are impaired. Impairment losses are always recognized in profit or loss and reversals of impairment are not permitted.
Changes in use of an asset (transfers in and out of investment property)	Investment properties and property plant and equipment are part of the tangible fixed assets under Art 55.1. When these are no longer intended for use on a continuing basis for the purpose of the undertaking's activity, they shall be reclassified as current asset under the caption "Inventories" if they become part of the operating cycle.	IAS 2 IAS 16	When there is a change in use of the investment property, there is detailed guidance for subsequent classification. Investment property to be sold is reclassified as inventories (as per IAS 2) and carried at lower of cost and net realizable value if there is a development with a view to sale. Investment property which is owner-occupied should be reclassified as property, plant and equipment as per IAS 16.	ASC 360	There is no differentiation between investment property and PPE (except for certain qualifying investment companies, insurers and real estate trusts for banks which can carry investment property at FVTPL), there are generally no "transfers to/from investment property" as it is the same category. However, property, including investment property, is transferred between the held-and-used and the held-for-sale classifications under US GAAP when the relevant criteria are met.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Development properties and assets under construction	a. Investment property is initially recorded at purchase price or construction cost. The purchase price also includes any expenses incidental thereto [Art 55.3]. Subsequent expenditure to enhance or increase economic life is capitalized to the asset account. b. Revenue for properties held for resale in the ordinary course of business is recognized when it is earned. There is no detailed guidance for revenue recognition under Lux GAAP.	IAS 40 IFRS 15	a. Investment property under construction held at cost model or if the fair value of an investment property under construction cannot be determined reliably but the entity expects the fair value of the completed property to be reliably measurable, is accounted for using the cost model until the earlier of the date that the fair value of the property can be measured reliably and the date that the construction is completed. b. Subsequent qualifying capital expenditure is capitalized to the asset. c. Revenue from properties that have been purchased or are being developed for resale in the ordinary course of business is recognized when all applicable criteria under IFRS 15 are met.	ASC 360 ASC 606	a. Property classified as "held-for-use" is carried at cost, regardless of stage of construction under Topic 360. Subsequent expenditure is generally capitalized if it is probable that it will give rise to future economic benefits. b. Revenue for properties meeting the definition of inventories under Topic 330 is recognized when all the criteria are met.

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Measure-ment of Investment Property classified as held-for-sale	The Luxembourg Accounting Law does not explicitly discuss such reclassification. However, Art. 39 refers that fixed assets shall comprise those assets which are intended for use on a continuing basis.	IFRS 5 IAS 16 IAS 40	IFRS 5 excludes Investment Property held under the IAS 40 fair value model. Only investment property at cost under IAS 16 is scoped and will be held at the lower of carrying amount and FV less costs to sell if it meets the held-for-sale criteria under IFRS 5. There is a special designation for assets held for distribution to owners. There is no need under IFRS to re-present a comparative balance sheet when classifying assets as held-for-sale.	ASC 360	As there is no investment property class under US GAAP, "held-for-use" property is transferred to "held-for-sale" when the relevant criteria under Topic 360 are met and is measured at the lower of cost and fair value less costs to sell. There is no special designation for assets held for distribution to owners. The comparative balance sheet needs to be re-presented for discontinued operations and there is no specific guidance for "held-for-sale" long-lived assets or disposal groups that are not discontinued operations.
Leases — Definition	Not specifically state how to identify a lease. Form over substance is expected to apply.	IFRS 16	Lease classification by lessors as either operating lease or finance lease is made at inception of the lease and is reassessed only if there is a lease modification, and that modification is not accounted for as a separate lease.	ASC 842	Lessors classify leases as either finance or operating leases. However, finance leases are further classified as sales-type leases or direct financing leases.
Lease incentives	Not specifically state how to identify a lease. Form over substance is expected to apply.	IFRS 16	The lessor should recognize the aggregate cost of incentives as a reduction of rental income over the lease term on a straight-line basis., unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.	ASC 842	Incentives granted to the lessee are recognized as reductions of rental income over the term of the lease

Assets

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Lease Modifications and rent concessions	No specific guidance	IFRS 16	Lessors are required to assess whether rent concessions are lease modifications and, if so, to apply the specific guidance on accounting for lease modifications. There is specific guidance on accounting for lease modifications by lessees and lessors. In addition, there is a practical expedient for lessees for COVID-19-related rent concessions.	ASC 842	There is specific guidance on accounting for lease modifications by lessees and lessors. In addition, there is a practical expedient for COVID-19-related rent concessions, which also applies to lessors.
Sale and Leaseback Definition	Not specifically state how to identify a lease. Form over substance is expected to apply.	IFRS 16	In a sale and leaseback transaction, the seller-lessee first determines if the buyer-lessor obtains control of the asset based on IFRS 15. If not, then the transaction is accounted for as a financing.	ASC 842	Additional considerations apply if there is a seller-lessee repurchase option or if the leaseback would be classified as a finance lease by the seller-lessee (sales-type lease by the buyer-lessor).
Sub-leases	No specific guidance	IFRS 16	A sub-lease is a contract in which a lessee (or intermediate lessor) grants a right to use the underlying asset to a third party, and the lease (or head lease) between the original lessor and lessee remains in effect. The intermediate lessor accounts for the head lease and the sub-lease as two different contracts. An intermediate lessor classifies the sub-lease as a finance lease or as an operating lease with reference to the right of use asset arising from the head lease.	ASC 842	An intermediate lessor classifies the sub-lease with reference to the underlying asset, which may frequently result in different sub-lease classification between IFRS and US GAAP.

Liabilities/equity

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Provisions	Practice is similar to IFRS. However, no discounting is required.	IAS 37	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. A provision is measured at the best estimate" of the expenditure to be incurred. Discounting is required if time value is material.	ASC 450	A contingency (provision) is recognized if it is probable that a liability has been incurred and the amount is reasonably estimable. "Probable" in this context means likely to occur, which is a higher recognition threshold than IFRS Standards. A provision is measured using a "reasonable estimate". Provisions are not discounted except in limited cases.
Equity classification	Shares and units are classified as equity.	IAS 32	As an exception to the general principle, certain puttable instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation are classified as equity instruments if certain conditions are met. The contractual terms of preference shares and similar instruments are evaluated to determine whether they have the characteristics of a financial liability	ASC 480	Investors' interests are normally classified as equity.

Revenue

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Revenue from contracts with customers	Not addressed. All income relating to the current year must be accounted for whether paid.	IFRS 15	Single revenue recognition model to apply consistently across all contracts with customers. The model consists of five steps: 1. Identify the contract with a customer. 2. Identify the performance obligation in the contract 3. Determine the transaction price. 4. Allocate the transaction price to the performance obligations in the contract. 5. Recognize revenue when or as the entity satisfies a performance obligation. Revenue recognized at a point in time or over time.	ASC 606	A five-step model is used to implement the core "transfer of control" principle that is used to determine when to recognize revenue, and at what amount. 1. Identify the contract with a customer. 2. Identify the performance obligation in the contract. 3. Determine the transaction price. 4. Allocate the transaction price to the performance obligations in the contract. 5. Recognize revenue when or as the entity satisfies a performance obligation. Revenue recognized at a point in time or over time.
Other revenue considerations- Principal vs. Agent relationship	No specific guidance	IFRS 15	In respect of the recognition of service charge income, IFRS 15 provides clear guidance on identification of principal-agent relationships by giving a Two-step framework based on identifying the goods and services and assessing control before transfer to customer.	ASC 606	Topic 606 and IFRS 15 give a similar approach to the principal / agent relationship and accounting.

Revenue

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Interest and dividend income	Interest is recognized on an accrual basis. Dividends are recognized when the fund's right to receive payment is established.	IAS 18 IFRS 9	Interest is using the effective interest method. Dividends are recognized when the fund's right to receive payment is established.	ASC 310	Interest income and expense are generally recognized using the effective interest method. The effective interest rate is always applied to the amortized cost basis of the financial instrument. Dividend income is recognized in profit or loss when the shareholder's right to receive payment is established. There are no additional explicit conditions for recognizing dividend income. The shareholder's right to receive dividends is generally established on the date the issuer has an obligation to pay dividends, which is not normally until they are declared or approved.
Earnings per share	Not addressed. In practice, earnings per share are not disclosed unless required in countries of distribution.	IAS 33	Basic and diluted EPS are presented by entities whose ordinary shares or potential ordinary shares are traded in a public market or that file, or are in the process of filing, their financial statements for the purpose of issuing any class of ordinary shares in a public market. Basic and diluted EPS for both continuing operations and profit or loss are presented in the statement of profit or loss and OCI, with equal prominence, for each class of ordinary shares that has a differing right to share in the profit or loss for the period.	ASC 260-10	Scope of ASC 260-10 is similar to IAS 33.

Expenses

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP 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 are presented based on their nature or function. An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortization expense and employee benefits expense.	ASC 205	The expense recognition principle, following matching principles rules, states that expenses and revenues should be recognized in the same accounting period. There is no requirement for expenses to be classified according to their nature or function. SEC regulations prescribe expense classification requirements for certain specialized industries.

Expenses

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
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.	ASC 820 ASC 310	Transaction costs are not included in the initial measurement of the below-mentioned instruments measured at fair value, except for available-for-sale debt securities where practice varies between expensing them and including them in the initial measurement. - Derivatives. - Debt securities classified as trading. - Available-for-sale debt securities. - Equity securities with readily determinable fair values. - Instruments for which the FVTPL option has been elected. Most other financial instruments (e.g. loans, receivables and financial liabilities not measured at fair value) are generally initially measured at cost, which includes transaction costs.
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.	ASC 480	Dividends on shares that are classified as liabilities are recognized in profit or loss as a financing cost, even if the legal form of payment is a dividend. Dividends and other distributions to the holders of equity instruments, in their capacity as owners, are recognized directly in equity.

Expenses

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
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.	ASC 740	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 is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for a period. Deferred tax 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 the tax effect of the carry forward of currently unused tax losses and tax credits. Deferred tax is recognized for the estimated future tax effects of temporary differences, unused tax losses carried forward and unused tax credits carried forward. A deferred tax liability is not recognized if it arises from the initial recognition of goodwill. There is no exemption from recognizing a deferred tax asset or liability for the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit.
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 taxes are not recognized.		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: - 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).		

Expenses

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Treatment of unrecognized deferred tax liabilities and assets at acquisition of property	No clear definition in the Luxembourg Accounting Law. The recognition of deferred tax liability is mandatory only if the fair value option is used in the accounts	IAS 12	Deferred asset/ liability is not recognized in respect of the initial recognition of an asset or liability in a transaction that is not a business combination and neither affects accounting nor taxable profit at the time of transaction.	ASC 740	There is no exemption from recognizing a deferred tax liability for the initial recognition in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit.
Withholding tax	Interest and dividends are shown net of withholding taxes.	IAS 12	If dividend withholding taxes are collected by the entity on behalf of the tax authorities, then they are recognized directly in equity as part of the distribution to shareholders.	ASC 740	Dividend withholding taxes are recognized directly in equity as part of the dividend distribution if: - the tax is payable by the entity if and only if a dividend is distributed to shareholders, and the tax does not reduce future income taxes that the entity would otherwise pay; and - shareholders receiving the dividend are entitled to a tax credit that is at least equal to the tax paid by the entity and that credit is realizable either as a refund or as a reduction of taxes otherwise due, regardless of the tax status of the shareholders.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Contingent assets and liabilities	Practice is similar to IFRS.	IAS 37	Contingent assets are not recognized in the statement of financial position. If an inflow of economic benefits is probable (more likely than not), then details are disclosed in the notes. When the realization of a contingent asset is virtually certain, it is no longer considered contingent and is recognized as an asset. 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. Detailed disclosures in the notes to the financial statements is required unless probability is remote.	ASC 450	Unrealized gain contingencies are not generally recognized until they are realized. A recovery is recognized when it is likely to occur (which is a lower threshold than "virtually certain" under IFRS Standards) to the extent that it reimburses a provision. Contingent liabilities may be either recognized or unrecognized. Contingent liabilities are recognized in a business combination only when the acquisition date fair value is determinable within the measurement period, or if the contingency is likely to occur and the amount is reasonably estimable. Information on contingencies is generally disclosed in the notes to the financial statements unless the probability of an outflow is remote. IFRS Standards require more detailed disclosures about contingencies than US GAAP. Certain loss contingencies are disclosed even if the likelihood of an outflow is remote.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Related party transactions	Lux GAAP refers to IAS 24 for the definition of a related party.	IAS 24	Related party relationships are those involving control (direct or indirect), joint control or significant influence. Key management personnel and their close family members are parties related to an entity. The disclosure of related party relationships between a parent and its subsidiaries is required, even if there have been no transactions between them. Comprehensive disclosures of related party transactions are required for each category of related party relationship. Key management personnel compensation is disclosed in total and is analyzed by component.	ASC 850	Related party relationships include those involving direct or indirect control (including common control), joint control or significant influence. Entities that are under significant influence of the same third party could be related parties in certain circumstances. Management and management's immediate family members are parties related to an entity. There is no requirement to disclose related party relationships between a parent and its subsidiaries if there have been no transactions between them. Comprehensive disclosures of related party transactions are required. There is no requirement for the disclosures to be grouped into categories of related parties. Management compensation is not required to be disclosed in the financial statements; however, SEC registrants are required to provide compensation information outside the financial statements for specified members of management and the board.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Functional currency — transactions in another currency	Not specifically addressed. Practice is similar to IFRS.	IAS 21	Foreign currency transactions are converted into functional currency at rates prevailing on the transaction date. At period end, monetary items are converted at the closing rate, which is the spot exchange rate at the reporting date. 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. Differences arising are recognized in profit and loss or by using the recognition method applied to gains/losses from revaluation.	ASC 830	Foreign currency transactions are converted into functional currency at rates prevailing on the transaction date. At each subsequent reporting date, monetary items denominated in a foreign currency are remeasured at the current spot exchange rate at the reporting date. Non-monetary items measured at historical cost in a currency other than the functional currency are not remeasured into the functional currency; they remain at the exchange rate at the date of the transaction. The resulting exchange differences, as well as other changes in fair value, are recognized in profit or loss or OCI, depending on the nature of the item.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Functional currency — foreign operations	Practice is similar to IFRS.	IAS 21	Financial statement of entities included in the consolidation are translated into the group's presentation currency as follows: - 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). If a foreign operation's reporting date is before that of the parent, then adjustments should be made for significant movements in exchange rates up to the parent's reporting date for consolidation purposes.	ASC 850	The financial statements of foreign operations are translated as follows: - Assets and liabilities are translated at the closing exchange rate at the reporting date. - Items of income and expense are translated at the exchange rates at the dates of the relevant transactions, although appropriate weighted-average rates may be used. If a foreign operation's reporting date is before that of the parent, then adjustments for movements in exchange rates up to the parent's reporting date for consolidation purposes are not made, although disclosures about exchange rate movements subsequent to the reporting date of the foreign operation may be needed.
Extraordi-nary/ exceptional items	Its use should be infrequent. The impact of extraordinary/ exceptional items shall be shown in the notes only.	IAS 1	Prohibited. 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.	ASC 205	The presentation or disclosure of items of income and expense characterized as "extraordinary items" is prohibited.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Subsequent events	*Art 65(1) 18* 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. Non-adjusting events are disclosed.	IAS 10	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. Financial statement amounts are not adjusted for events that are a result of conditions that arose after the reporting date (non-adjusting events). An exception is when events after the reporting date indicate that the financial statements should not be prepared on a going concern basis	ASC 855-10	The financial statements are adjusted to reflect events that occur after the reporting date if those events provide evidence of conditions that existed at the reporting date. The period to consider goes to the date on which the financial statements are issued for public entities and to the date on which the financial statements are available to be issued for certain non-public entities. Financial statement amounts are not adjusted for events that are a result of new conditions that arose after the reporting date (non-recognized events). However, there is no specific requirement to adjust the financial statements when a subsequent event occurs indicating that the going concern basis of preparation is not appropriate; instead, disclosures are required.
Segment reporting	Not addressed. In practice, there is no segment reporting but reporting per sub-fund.	IFRS 8	Segment reporting applies to entities where equity or debt securities are publicly traded, or are in the process of issuing such securities. Segment reporting requires specific segment disclosures and entity-wide disclosures. Operating segments are reportable if they meet any of three quantitative threshold tests, based on revenues, profits and assets.	ASC 280	Segment disclosures are required by entities whose debt or equity securities are traded in a public market, or that are in the process of issuing such securities. Segment reporting requires specific segment disclosures and entity-wide disclosures. Reportable segments are identified based on quantitative thresholds of revenue, profit or loss or total assets.

Other accounting and reporting topics

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Offsetting	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.	IAS 32	A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity: 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. Offsetting of financial assets and liabilities and the effect of potential netting arrangements will require specific disclosure requirements.	ASC 210-20	A financial asset and a financial liability may be offset only if a right of set-off exists. US GAAP contains detail on the criteria for offsetting and therefore differences from IFRS Standards are likely. A "right of set-off" is a debtor's legal right, by contract or otherwise, to discharge all or a portion of the debt owed to another party by applying against the debt an amount that the other party owes to the debtor. A right of set-off exists if all of the following conditions are met: - Each of two parties owes the other determinable amounts. - The reporting entity has the right to set off the amount owed with the amount owed by the other party. - The reporting entity intends to set off. - The right to set off is enforceable at law and there is reasonable assurance that the right would be upheld in bankruptcy. Once these criteria are met, offsetting is an accounting policy choice.

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Business Combination or acquisition of an asset	Not addressed in Lux GAAP	IFRS 3	In order to meet the definition of a business, the acquired set of activities and assets must have inputs and substantive processes that can collectively contribute to creating of outputs. Under IFRS 3 Amendments, the application of the "concentration test" is optional. If the definition and criteria are not met, the acquisition of such assets is treated in accordance with the relevant standards e.g. IAS 40 Investment Property.	ASC 805	US GAAP has some differences in the definition of control, recognition of certain assets and liabilities based on the reliably measurable criteria, accounting for contingencies and accounting for non-controlling interests. The application of the, "concentration test" is mandatory under ASC 805.

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Consolidated financial statements — basis for consolidation	*For SICAVs* The commercial law of 10 August 1915 applies. Consolidated financial statements are required if the entity has at least one subsidiary, unless the specific exemptions permit or require otherwise under other laws. *For FCPs* No guidance is provided. Combined figures of subfunds are required in accordance with Chapter L of CSSF Circular 91/75.	IFRS 10	An entity that is a parent shall present consolidated financial statements, except for the following: a. A parent need not present consolidated financial statements if it meets all the following conditions: - 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).	ASC 810	There is no exemption other than for investment companies from preparing consolidated financial statements for a parent entity.

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
			- 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. 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.		

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Consolidated financial statements — basis for consolidation	Not addressed in Lux GAAP	IFRS 10	To qualify as an investment entity, an entity should: 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. In assessing the qualification definition, an entity shall consider whether it has the following typical characteristics of an investment entity: - 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.	ASC 946	An investment company has the following fundamental characteristics. - Obtains funds from one or more investors and provides the investor(s) with investment management services. - Commits to its investor(s) that its business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income or both. An entity considers the following "typical" characteristics in assessing whether it meets the definition of an investment company. - It has more than one investment. - It has more than one investor. - It has investors that are not related parties of the parent (if there is a parent) or the investment manager. - It has ownership interests in the form of equity or partnership interests. - It manages substantially all of its investments on a fair value basis. Under US GAAP, fair value management is not a fundamental characteristic; rather, it is a "typical" characteristic to be considered. However, to meet the definition of an investment company, the entity needs to measure its investments at fair value. An entity that meets the above definition can qualify as an investment company. An entity also qualifies as an investment company by virtue of being regulated under the Investment Company Act of 1940.

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
					In general, an investment company measures investments in subsidiaries at fair value, with changes in fair value recognized in profit or loss. As exceptions, an investment company: - consolidates a subsidiary that provides permitted investment-related activities but only when the subsidiary provides investment-related services to the investment company only; and - applies the equity method to an equity-method investee that provides permitted investment-related activities to the investment company.
Subsidiary — definition	Entity controlled by another entity. Control exists if the parent company: - 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	IFRS 10 defines a subsidiary as an entity controlled by another entity. An investor controls an investee if, and only if, the investor meets all the following criteria: 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. The ability to use its power over the investee to affect the amount of the investor's returns. Control is assessed on a continuous basis.	ASC 810	An entity, including an unincorporated entity such as a partnership or trust, in which another entity, known as its parent, holds a controlling financial interest. (Also, a variable interest entity that is consolidated by a primary beneficiary.) - For non-variable interest entities, "control" is the power to govern the financial and operating policies of an entity. - For variable interest entities (VIEs), control is the power to direct the activities that most significantly impact the VIE's economic performance and either the obligation to absorb losses of the VIE, or the right to receive benefits from the VIE, that could potentially be significant to the VIE. A VIE is an entity for which the amount of equity investment at risk is insufficient for the entity to finance its own operations without additional subordinated financial support, or the equity investment at risk lacks one of a number of specified characteristics of a controlling financial interest. Control is assessed on a continuous basis.

Consolidated financial statements

Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Associate — definition	Entities over which the investor has significant influence. Significant influence is presumed from a 20% holding.	IAS 28	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.	ASC 272-10	Entities over which the investor has significant influence. Significant influence is the ability to significantly influence the operating and financial policies of an investee but is not control over the investee. There is a rebuttable presumption of significant influence if an entity holds 20 percent or more of the voting rights of another corporate entity in which it does not have a controlling financial interest.
Associate — accounting treatment	Investments in associates are initially accounted for at purchase price and the expenses incidental thereof — and subsequently at fair value.	IAS 28	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. 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. The investee's financial statements used for the purpose of applying the equity method are drawn up for the same accounting period as that of the investor, unless this is impracticable.	ASC 272-10	An investment in an equity-method investee is accounted for using the equity method from the date on which the investor obtains significant Influence. 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. An equity-method investee's financial statements used for the purpose of applying the equity method may be drawn up for an accounting period that is different from that of the investor, if the investee's statements are not sufficiently timely; the lag in reporting needs to be consistent every year.

Consolidated financial statements

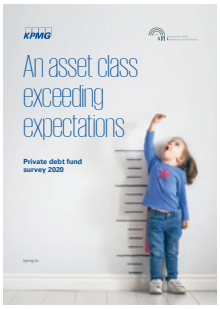
Topic	Lux GAAP treatment and disclosure	IAS/ IFRS reference	IFRS treatment and disclosure	ASC/US GAAP reference	US GAAP treatment and disclosure
Master feeder structures	The report of a feeder UCITS must indicate how the annual and half-yearly report of the master UCITS can be obtained. For non-UCITS funds, no guidance is provided. Master accounts may be annexed in feeder funds' accounts.	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.	ASC 946	When an investment fund is a master fund within a master feeder structure, the master fund is generally not consolidated by the feeder but shown using specific presentation requirements as described in Topic 946. Considerations for the feeder fund financial statements: - Statement of assets and liabilities shows an investment in the master fund, which is the feeder fund's primary investment. - Schedule of Investments is generally not presented by the feeder fund unless there are other investments aside from the investment in the master fund. - The statement of operations discloses the feeder fund's allocated share of income, expenses, and realized gains and losses from the master fund, along with any fund-specific income and expenses. Notes to the financial statements should include the following: i. General description of the master and feeder structure; ii. The feeder's percentage ownership share of the master fund at the reporting date; iii. A note disclosure that the feeder invests all of its investable assets in a corresponding investment company having the same investment objectives as the feeder and a reference to the financial statements of the master fund, including the portfolio of investments; and iv. Disclosure of the accounting policies of the master fund that may affect the feeder fund.

Publications

End-to-end ESG

From strategy to daily operations and reporting, everything you need to make ESG a reality for your organization.

Cheat sheet for Limited Partnerships



Private Debt Fund Survey 2020

Private Equity and Real Estate Substance Survey 2020

Luxembourg Investment Vehicles 2019

Illustrative annual report for reserved alternative investment funds (RAIFs)

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

US GAAP Accounting Services

1 US GAAP CONVERSION

With US GAAP 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 US GAAP conversion we can:

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

2 US GAAP TRAININGS

It is essential for companies to keep up to date with new developments as US GAAP 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 US GAAP 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 US GAAP 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

Contact

Christophe Diricks

Partner
Head Of Alternative Investments

T: +352 22 51 51 - 5111
M: christophe.diricks@kpmg.lu

Victor Chan Yin

Partner
Alternative Investments

T: +352 22 51 51 - 6514
M: victor.chanyin@kpmg.lu

Excee Tan

Partner
Alternative Investments

T: +352 22 51 51 - 6564
M: excee.tan@kpmg.lu

We would love to hear from you. Get in touch with one of our professionals or specialist groups.

funds@kpmg.lu

KPMG Luxembourg, Société coopérative

39, Avenue John F. Kennedy
L-1855 Luxembourg
T : +352 22 51 51 1

kpmg.lu