

**THE DIRECTOR GENERAL  
OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO**

IN VIEW of Law no. 165 of 17 November 2005, (hereafter, in short: "LISF") that assigns, inter alia, to the Central Bank of the Republic of San Marino the task of governing collective investment services;

IN VIEW of article no. 154 of Central Bank Regulation no. 2006-03 concerning collective investment services, based upon which the Management Company (MC) shall draft, with reference to each mutual investment fund, the Statement of Operations and the Semi-Annual Report according to templates to be governed by the Central Bank by means of a separate measure;

IN VIEW of the Statutes of the Central Bank of the Republic of San Marino, approved by Law no. 96 of 29 June 2005, and in particular Article 30, paragraph 3 of the Statutes, based on which the Central Bank's acts on supervision, passed by the Supervision Committee, are issued by the Director General;

IN VIEW of the Supervision Committee resolutions of 19 April 2007 and the Governing Council resolutions of 23 April 2007, with which approval was granted to the text of the Regulations of the Central Bank of the Republic of San Marino for preparing financial statements of mutual investment funds,

**ISSUES**

the attached Regulation no. 2007-06 for the preparation of financial statements of mutual investment funds, which will be published in the Official Bulletin of the Republic of San Marino pursuant to Article 39 of LISF.

These Regulations shall enter into force on the day following the date of this official document.

San Marino, 1 June 2007

SIGNED: THE DIRECTOR GENERAL

Luca Papi

**REGULATIONS FOR PREPARING  
FINANCIAL STATEMENTS OF MUTUAL  
INVESTMENT FUNDS**

*year 2007 / number 06*

**Article 1 – General principles.**

1. For each mutual investment fund, the management company (MC) must draw up a Statement of Operations and an Semi-Annual Report. For mutual investment funds reserved for professional clients, as identified by Central Bank Regulation no. 2006-03 concerning collective investment services, the MC has the option to draw up these documents in English.
2. The Statement of Operations must be drawn up - with reference to 31 December, or the last date when the total net value of the fund was calculated, if it comes first - within ninety days from the end of each financial year coinciding with the calendar year, or the shortest period during which proceeds are distributed. The Semi-Annual Report must be drawn up - with reference to 30 June or the last date when the total net value of the fund was calculated, if it comes first - within sixty days from the end of the reference period. The report is not required for funds for which, in relation to the distribution of proceeds, a report is prepared at least once every six months.
3. The Statement of Operations must be audited and certified as provided for by article 33 of LISF.
4. Statements of Operations and Semi-Annual Reports of each mutual investment fund must be made available to the public at the MC's headquarters. The last Statement of Operations and the last Semi-Annual Report must be made available to the public also at the custodian bank's headquarters. For mutual investment funds reserved for professional clients, the funds' Administrative Regulations may make provisions for forms of advertising other than those mentioned in this paragraph.
5. A copy of the Statement of Operations and the Semi-Annual Report of each mutual investment fund should be sent to the Central Bank of Republic of San Marino – Supervision Committee, or transmitted electronically according to the procedures notified by the Central Bank.

**Article 2 – Instructions for preparing the statement.**

1. The Statement of Operations of a mutual investment fund is the document that shows the composition of the fund's assets and liabilities as of the specific reference date, and the income margins recorded during the reference period. It also illustrates the operating performance during the reference period. The financial statement, accompanied by the auditing company's report, consists of the following parts:
  - a) assets and liabilities statements;
  - b) income position;
  - c) explanatory notes.
2. For the evaluation of each type of assets that form part of the fund's equity, the criteria laid down in Annex H of Central Bank Regulation no. 2006-03 concerning collective investment services shall apply.

3. Annex A shows the template for preparing the financial statement of open-end funds. Annex B shows the template for preparing the financial statement of closed-end funds. For the categories of assets in which a specific type of fund is not allowed to invest (for example: "credits" for a UCITS III-type fund) a zero amount must be indicated. Amounts must be shown in Euro.

**Article 3 – Semi-annual report.**

1. The semi-annual report shows the assets and liabilities statements of the mutual investment fund on the reference date. For the evaluation of each type of assets that form part of the fund's equity, the criteria laid down in Annex H of Central Bank Regulation no. 2006-03 concerning collective investment services shall apply.

2. The semi-annual report was drawn up according to the template and instructions for the preparation of the "assets and liabilities statements" of the Statement of Operations. A comparison with the data of the financial statement as of 31 December of the previous year must be provided.

## **ANNEX**

### **A**

# **Templates for preparing the financial statement of open-end mutual investment funds**

**OPEN-END FUND STATEMENT .....**

**AS OF .../.../....**

*fund characteristics ( check the relevant boxes):*

<input type="checkbox"/> UCITS III-TYPE FUND	<input type="checkbox"/> FUND INTENDED FOR THE GENERAL PUBLIC  <input type="checkbox"/> FUND RESERVED FOR PROFESSIONAL CLIENTS	<input type="checkbox"/> ALTERNATIVE FUND
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**ASSETS AND LIABILITIES STATEMENTS**

<b>ASSETS</b>	Situation as of xx/xx/xxxx		Position resulting from the previous statement drawn up as of xx/xx/xxxx	
	Total value	As a percentage of assets	Total value	As a percentage of assets
<b>A. FINANCIAL INSTRUMENTS</b>  <b>A.1. Listed financial instruments</b> A.1.1.: Debt securities A.1.2. : Capital securities A.1.3.: CIS (Collective Investment Undertakings) parts  <b>A.2. Unlisted financial instruments</b> A.2.1.: Debt securities A.2.2.: Capital securities A.2.3.: CIS (Collective Investment Undertakings) parts  <b>A.3. Derivative financial instruments</b> A.3.1: Margins with clearing houses and guarantee A.3.2: Listed derivative financial instruments A.3.3: Unlisted derivative financial instruments  <b>B. LOANS (if allowed for the fund type)</b>  <b>C. CASH AT BANKS</b> C.1: At sight C.2: Others  <b>D. LIQUIDITY</b> D.1: Available liquidity D.2: Liquidity to be received for transactions to be settled D.3: Liquidity used for transactions to be settled  <b>E. OTHER ASSETS</b>  <div style="text-align: right;"><b>TOTAL ASSETS</b></div>				
		100 %		100 %

<b>LIABILITIES AND NET EQUITY</b>	Situation as of xx/xx/xxxx	Situation resulting from the previous statement drawn up as of xx/xx/xxxx
<b>F. FUNDING RECEIVED</b> <b>F.1.:</b> Sale repurchase agreement payables and assimilated transactions <b>F.2:</b> Others (to be specified) <b>G. FINANCIAL DERIVATIVES</b> <b>G.1:</b> Listed derivative financial instruments <b>G.2:</b> Unlisted derivative financial instruments <b>H. DUE TO PARTICIPANTS</b> <b>H.1:</b> Redemptions requested and not settled <b>H.2:</b> Proceeds to be distributed <b>H.3:</b> Other debts due to participants <b>I. OTHER LIABILITIES</b> <b>TOTAL LIABILITIES</b>		
<b>TOTAL NET VALUE OF FUND<sup>1</sup></b>		
<b>Number of outstanding units</b>		
<b>Unit value of units</b>		
<b>Redemptions or proceeds distributed per unit</b>		

<b>Movement of units in the six-month period (<sup>1</sup>)</b>	
<b>no. of units issued</b>	
<b>no. of units redeemed</b>	

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<sup>1</sup> In the case of a subdivision into unit classes, the information should be referred to each unit class.

## INCOME POSITION

	Statement as of xx/xx/xxxx	Previous statement drawn up as of xx/xx/xxxx
FINANCIAL INSTRUMENTS		
LISTED FINANCIAL INSTRUMENTS		
PROCEEDS FROM INVESTMENTS		
Interest and other proceeds on debt securities		
Dividends and other proceeds on capital income		
Proceeds on CIS parts		
PROFIT/LOSS FROM PROCEEDS		
Debt securities		
Capital securities		
CIS (Collective Investment Undertakings) parts		
CAPITAL GAINS/CAPITAL LOSSES		
Debt securities		
Capital securities		
CIS (Collective Investment Undertakings) parts		
HEDGING TRANSACTION MARGIN OF LISTED FINANCIAL INSTRUMENTS		
<b>Operating margin of listed financial instruments</b>		
UNLISTED FINANCIAL INSTRUMENTS		
PROCEEDS FROM INVESTMENTS		
Interest and other proceeds on debt securities		
Dividends and other proceeds on capital income		
Proceeds on CIS parts		
PROFIT/LOSS FROM PROCEEDS		
Debt securities		
Capital securities		
CIS (Collective Investment Undertakings) parts		
CAPITAL GAINS/CAPITAL LOSSES		
Debt securities		
Capital securities		
CIS (Collective Investment Undertakings) parts		
HEDGING TRANSACTION MARGIN OF UNLISTED FINANCIAL INSTRUMENTS		
<b>Operating margin of unlisted financial instruments</b>		



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NON-HEDGING DERIVATIVE FINANCIAL INSTRUMENTS ACHIEVED MARGINS On listed instruments On unlisted instruments UNACHIEVED MARGINS On listed instruments On unlisted instruments <b>Operating margin in non-hedging derivative financial instruments</b>		
LOANS ( <i>if allowed for fund type</i> ) Interest received and other proceeds Value increases/decreases Profit/loss from proceeds <b>Operating margin of loans</b>		
CASH AT BANKS Interest received and other proceeds <b>Operating margin of cash at banks</b>		
OTHER ASSETS ( <i>specify, as long as they are allowed for the fund type</i> ) Proceeds Profit/loss from proceeds Capital gains/capital losses <b>Operating margin of investment in other assets</b>		
FOREIGN EXCHANGE OPERATIONS HEDGING TRANSACTIONS Achieved margins Unachieved margins NON-HEDGING TRANSACTIONS Achieved margins Unachieved margins LIQUIDITY Achieved margins Unachieved margins <b>Operating margin of foreign exchange transactions</b>		
OTHER OPERATING TRANSACTIONS ( <i>specify</i> ) Proceeds, profit, loss, other ( <i>specify</i> ) <b>Operating margin of other transactions</b>		
<b>GROSS OPERATING MARGIN OF NORMAL OPERATIONS</b>		

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FINANCIAL COSTS Interest payable on funding received Other financial costs		
<b>NET OPERATING MARGIN OF NORMAL OPERATIONS</b>		
OPERATING COSTS MC fees and other retribution Custodian bank commissions Expenditure for the publication of documents for the general public Other operating costs		
OTHER REVENUES AND COSTS Interest on cash and cash equivalents Other revenues Other costs		
<b>PROFIT / LOSS FOR THE FINANCIAL YEAR<sup>2</sup></b>		

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<sup>2</sup> In the case of a subdivision into unit classes, the information should be referred to each unit class.

## EXPLANATORY NOTES

The explanatory notes form an integral part of the annual financial statement. Their function is both to provide more detailed information on the accounting data contained in the assets and liabilities statements and the income section, and to offer further information, also of a non-quantitative nature, to the market concerning the operating performance. In particular, on the basis of the actual performance that characterised the fund during the reference period, details of the breakdown of individual financial statement items must be provided and the dynamics that determined the variations must be illustrated. Below is the minimum content of the explanatory notes.

### 1. Unit value trend.

In this part, it is necessary at least to:

- 1) highlight with a linear graph the trend of the fund unit value and of the *benchmark*, if provided for in the fund's Administrative Regulations during the past year;
- 2) on an annual basis, indicate the fund's compound average return by comparing it with the *benchmark*, if provided for by the Fund's Administrative Regulations, over the past 3 years;
- 3) provide references on the trend of the unit value during the financial year (with an indication of minimum and maximum values achieved), with comments on the major events that influenced the unit value;
- 4) in case of funds divided into unit classes, provide references concerning the factors that determined the different value among different unit classes;
- 5) provide information about relevant unit evaluation errors occurred during the reference period;
- 6) provide information about the volatility of the difference in the fund's returns in relation to the *benchmark*, if provided for in the fund's Administrative Regulations, over the past three years. For this purpose, at least the value of "*Tracking Error Volatility*" (*TEV*) will be indicated for each year, with details of the calculation method;
- 7) if the fund distributes proceeds, indicate the total and unit amount being distributed;
- 8) provide information both of a qualitative and quantitative nature concerning the risks undertaken and the techniques used to identify, measure and control them.

### 2. Assets, liabilities and net equity of fund.

In this part, it is necessary at least to:

- 1) illustrate the distribution of the fund's assets according to criteria consistent with the investment policy, with reference to the geographical areas and economic sectors towards which investments are directed;
- 2) for funds intended for the general public, provide the analytical list of financial instruments held by the fund, other than CISs, indicating at least the first twenty (in descending order of market

value), and at any rate all those exceeding two per cent of the fund's assets. A similar analytical list must be provided also with reference to short selling transactions of securities, for funds that can carry them out. For CISs, it is sufficient to provide information on the investment policy of purchased funds;

- 3) describe the characteristics of derivative financial instruments and structured securities listed in the statement;
- 4) detail all received funding, specifying counterparties, technical form, duration, and guarantees granted;
- 5) illustrate the dynamics that characterised the flows of subscriptions and redemptions during the reference period.

### **3. Income situation.**

In this part, it is necessary at least to:

- 1) illustrate the income margins achieved with reference to the individual components highlighted in the financial statement;
- 2) divide operating costs into analytical items and indicate for each item the percentage paid to parties belonging to the same group as the MC.

### **4. Other information**

In this part, it is necessary at least to:

- 1) for funds intended for the general public, describe and explain the reasons for the possible use of the right – if recognised by the fund's Administrative Regulations – to deviate from the investment policy;
- 2) for funds intended for the general public, indicate the transaction rate of the fund's portfolio (the so-called turnover) over the year, expressed by the percentage ratio between the sum of the purchases and sales of financial instruments, net of subscriptions and redemptions of fund units, and the net equity of the fund during the period;
- 3) for funds whose Administrative Regulations allow for the development of financial leverage, indicate the maximum and average financial leverage level that the fund reached during the period, calculated as the ratio between the sum of long and short positions (inclusive of derivative products) and the total net value of the fund, indicating transactions implemented for hedging purposes.

## **ANNEX**

### **B**

# **Templates for preparing the statement of closed-end mutual investment funds**

**CLOSE-END FUND STATEMENT .....**

**AS OF .../.../....**

*fund characteristics ( check the relevant boxes):*

<input type="checkbox"/> FUND INTENDED FOR THE GENERAL PUBLIC	<input type="checkbox"/> ALTERNATIVE FUND
<input type="checkbox"/> FUND RESERVED FOR PROFESSIONAL CLIENTS	

**ASSETS AND LIABILITIES STATEMENTS**

<b>ASSETS</b>	Situation as of xx/xx/xxxx		Position resulting from the previous statement drawn up as of xx/xx/xxxx	
	Total value	As a percentage of assets	Total value	As a percentage of assets
<b>A. FINANCIAL INSTRUMENTS</b>  <b>A.1. Unlisted financial instruments</b> A.1.1: Majority shareholdings A.1.2: Non-majority shareholdings A.1.3: Other capital securities A.1.4: Debt securities A.1.5: CIS (Collective Investment Undertakings) parts  <b>A.2. Listed financial instruments</b> A.2.1: Capital securities A.2.2: Debt securities A.2.3: CIS (Collective Investment Undertakings) parts  <b>A.3. Derivative financial instruments</b> A.3.1: Margins with clearing houses and guarantee A.3.2: Listed derivative financial instruments A.3.3: Unlisted derivative financial instruments <b>B. REAL PROPERTY AND REAL PROPERTY RIGHTS</b>  B.1: Leased real estate property B.2: Other real estate property B.3: Real property rights  <b>C. LOANS</b>  <b>D. CASH AT BANKS</b> D.1: At sight				

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<p><b>D.2:</b> Others</p> <p><b>E. LIQUIDITY</b></p> <p><b>E.1:</b> Available liquidity</p> <p><b>E.2:</b> Liquidity to be received for transactions to be settled</p> <p><b>E.3:</b> Liquidity used for transactions to be settled</p> <p><b>F. OTHER ASSETS</b> <i>(to be specified, as long as they are allowed for the fund type)</i></p> <p><b>G. OTHER ASSETS</b></p> <p style="text-align: right;"><b>TOTAL ASSETS</b></p>				
		100 %		100 %

<b>LIABILITIES AND NET EQUITY</b>	Situation as of xx/xx/xxxx	Situation resulting from the previous statement drawn up as of xx/xx/xxxx
<b>I. FUNDING RECEIVED</b> <b>I.1:</b> Mortgage financing <b>I.2:</b> Sale repurchase agreement payables and assimilated transactions <b>I.3:</b> Others ( <i>to be specified</i> ) <b>L. DERIVATIVE FINANCIAL INSTRUMENTS</b> <b>G.1:</b> Listed derivative financial instruments <b>G.2:</b> Unlisted derivative financial instruments <b>M. DUE TO PARTICIPANTS</b> <b>M.1:</b> Proceeds to be distributed <b>M.2:</b> Other debts due to participants <b>N. OTHER LIABILITIES</b> <p style="text-align: right;"><b>TOTAL LIABILITIES</b></p>		
<b>TOTAL NET VALUE OF FUND <sup>(3)</sup></b>		
<b>Number of outstanding units <sup>(1)</sup></b>		
<b>Unit value of units <sup>(1)</sup></b>		
<b>Redemptions or proceeds distributed per unit <sup>(1)</sup></b>		

<sup>3</sup> In the case of division into classes of shares, information must be referred to each class.



## INCOME POSITION

	Statement as of xx/xx/xxxx	Previous statement drawn up as of xx/xx/xxxx
FINANCIAL INSTRUMENTS		
UNLISTED FINANCIAL INSTRUMENTS		
Interest, dividends and other proceeds		
Dividends and other proceeds		
Profit/loss from proceeds		
Capital gains/capital losses		
OTHER UNLISTED FINANCIAL INSTRUMENTS		
Interest, dividends and other proceeds		
Profit/loss from proceeds		
Capital gains/capital losses		
LISTED FINANCIAL INSTRUMENTS		
Interest, dividends and other proceeds		
Profit/loss from proceeds		
Capital gains/capital losses		
DERIVATIVE FINANCIAL INSTRUMENTS		
Hedging		
Non-hedging		
<b>Performance of financial instrument management</b>		
REAL ESTATE AND REAL PROPERTY RIGHTS		
Rents and other proceeds		
Profit/loss from proceeds		
Capital gains/capital losses		
Costs for real property operations		
Depreciations		
<b>Performance of real property operations</b>		
LOANS		
Interest received and other proceeds		
Value increases/decreases		
Profit/loss from proceeds		

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<b>Operating margin of loans</b>		
CASH AT BANKS		
Interest received and other proceeds		
<b>Operating margin of cash at banks</b>		
OTHER ASSETS ( <i>specify</i> )		
Proceeds		
Profit/loss from proceeds		
Capital gains/capital losses		
<b>Operating margin of other assets</b>		
FOREIGN EXCHANGE OPERATIONS		
HEDGING TRANSACTIONS		
Achieved margins		
Unachieved margins		
NON-HEDGING TRANSACTIONS		
Achieved margins		
Unachieved margins		
LIQUIDITY		
Achieved margins		
Unachieved margins		
<b>Operating margin of foreign exchange transactions</b>		
OTHER OPERATING TRANSACTIONS ( <i>specify</i> )		
Proceeds, profit, loss, other ( <i>specify</i> )		
<b>Operating margin of other transactions</b>		
<b>GROSS OPERATING MARGIN OF NORMAL OPERATIONS</b>		
FINANCIAL COSTS		
Interest payable on mortgage loans		
Interest payable on other funding		
Other financial costs		
<b>NET OPERATING MARGIN OF NORMAL OPERATIONS</b>		
OPERATING COSTS		
MC fees and other retributions		
Custodian bank commissions		
Costs for independent experts		
Expenditure for the publication of documents for the general public		
Other operating costs		
OTHER REVENUES AND COSTS		

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Interest on cash and cash equivalents		
Other revenues		
Other costs		
<b>PROFIT /LOSS OF THE PERIOD<sup>4</sup></b>		

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<sup>4</sup> In the case of a subdivision into unit classes, the information should be referred to each unit class.

## EXPLANATORY NOTES

The explanatory notes form an integral part of the annual financial statement. Their function is both to provide more detailed information on the accounting data contained in the assets and liabilities statements and the income section, and to offer further information, also of a non-quantitative nature, to the market concerning the operating performance. In particular, on the basis of the actual performance that characterised the fund during the reference period, details of the breakdown of individual financial statement items must be provided and the dynamics that determined the variations must be illustrated. Below is the minimum content of the explanatory notes.

### 1. Unit value trend.

In this part, it is necessary at least to:

- 1) highlight graphically the trend of the value of the fund's unit at the end of each financial year from the date when the fund was set up, and provide a comparison with the *benchmark*, if provided for by the Fund's Administrative Regulations;
- 2) on an annual basis, indicate the fund's compound average return by comparing it with the *benchmark*, if provided for by the Fund's Administrative Regulations, over the past 3 years;
- 3) provide references on the major events that affected the unit value during the year;
- 4) in case of funds divided into unit classes, provide references concerning the factors that determined the different value among different unit classes;
- 5) if the fund distributes proceeds, indicate the total unit amount of proceeds being distributed;
- 6) in the case in which the MC exercised, in accordance with the provisions of the Administrative Regulations, the right to issue or redeem units during the year, indicate the total and unit amount of issues and redemptions carried out;
- 7) provide information both of a qualitative and quantitative nature concerning the risks undertaken and the techniques used to identify, measure and control them.

### 2. Assets, liabilities and net equity of fund.

In this part, it is necessary at least to:

- 1) explain the criteria applied to determine the assets' value, detailing in particular real property, real property rights and 'other assets';
- 2) provide references on the allocation of investments in relation to the fund's investment policy;
- 3) for funds intended for the general public, provide the analytical list of financial instruments held by the fund, other than holdings and CISs, that exceed five per cent of the fund. For CISs, it is sufficient to provide information on the investment policy of purchased funds. A similar analytical list must be provided also with reference to short selling transactions of securities for funds that can carry them out;

- 4) provide detailed information on unlisted companies in which majority stake is held, also indicating the main accounts items of subsidiaries;
- 5) provide a detailed list of real property and property rights held by the fund, specifying the identification data for the real estate property, purchase cost, any rents, mortgages, and relevant characteristics of the location (e.g., special planning or intended-use restrictions);
- 6) provide a detailed list of "other assets" held by the fund, specifying the purchase cost, estimated value on the closing date of the balance sheet, any particular conditions of use in compliance with the fund's investment policy;
- 7) provide details on individual divested assets, highlighting the purchase and sale cost, the income received and operating costs incurred, as well as the net result of the investment;
- 8) describe the characteristics of derivative financial instruments and structured securities listed in the statement;
- 9) detail the funding received by specifying the counterparties, technical form, duration and guarantees.

### **3. Income situation.**

In this part, it is necessary at least to:

- 1) illustrate the income margins achieved with reference to the individual components highlighted in the financial statement;
- 2) divide operating costs into analytical items and indicate for each item the percentage paid to parties belonging to the same group as the MC.

### **4. Other information.**

In this part, it is necessary at least to:

- 1) for funds intended for the general public, describe and explain the reasons for the possible use of the right – if recognised by the fund's Administrative Regulations – to deviate from the investment policy;
- 2) for funds whose Administrative Regulations allow for the development of financial leverage, indicate the maximum and average financial leverage level that the fund reached during the period, calculated as the ratio between the sum of long and short positions (inclusive of derivative products) and the total net value of the fund, indicating transactions implemented for hedging purposes.