

1. General Information

Name

Balance sheet summary for mutual funds, investment funds, and institutional investment funds.

Purpose

Data are collected for statistical reports showing developments and size of mutual funds, investment funds, and institutional investment funds. The data are also part of accounting for the domestic financial market, which is carried out in co-operation with Statistics Iceland. The Central Bank also uses the data in its operations.

Supervisor of statistics

Central Bank of Iceland, IT & Statistics.

Sources

Monthly balance sheet summaries are prepared from monthly reports provided by the mutual funds, investment funds, and institutional investment funds.

Statutory authority

Data collection is carried out on the basis of [Article 32 of the Act on the Central Bank of Iceland, no. 92/2019](#). According to Article 41 of this Act, the Central Bank is authorised to exchange information with public entities concerning matters falling under the scope of this Act if the exchange of information is consistent with the legally mandated role of the Central Bank or the recipient.

2. Methodology

The methodology used by the Central Bank in statistics on mutual funds, investment funds, and institutional investment funds is based on the International Monetary Fund (IMF) standards for monetary and financial statistics, the Monetary and Financial Statistics Manual (MFSM). Also consulted are the international standards for national accounts, [SNA2008](#), and the European standards, [ESA2010](#).

According to the above-mentioned standards, the economy is divided into five sectors, plus a separate sector labelled “rest of the world.” Included in the domestic economy are all institutional units that are resident in Iceland. In order to be considered an institutional unit, an economic entity must fulfil the following conditions:

- It must be entitled to own goods and assets in its own right.
- It must be entitled to incur liabilities on its own behalf.
- It must be able to take economic decisions and engage in economic activities.
- It must be able to draw up a balance sheet (possible and meaningful to compile a such set of accounts).

There are two types of institutional units:

- Households
- Legal or social units.

Classification system

Institutional units are grouped together in sectors within the economy on the basis of their activities, economic behaviour, and objectives.

Sector	Series	Description
S.1	Residents	Legal entities and individuals with legal domicile in Iceland, irrespective of nationality; cf. the definition in Act no. 87/1992.
S.11	Non-financial corporations	Institutional units that produce goods and non-financial services for sale in the market.
S.12	Financial corporations	Institutional units that provide financial services and act as financial intermediaries.
S.121	Central bank	An institutional unit whose principal function is to issue currency, to maintain the value of the currency, maintain and invest the country's foreign exchange reserves, and provide loan facilities to deposit-taking corporations.

S.122	Deposit-taking corporations	Institutional units that are principally engaged in financial intermediation: Receiving deposits (and/or close substitutes), issuing bonds and bills, granting loans, and investing in securities on their own account; e.g., commercial banks and savings banks.
S.122X	Deposit-taking corporations in winding-up proceedings	Institutional units that have been subjected to winding-up or composition negotiations and whose operating licences have been revoked.
S.123	Money market funds (MMF)	Funds for collective investment. MMF invest on their own behalf, primarily in deposits, MMF shares/units, and short-term securities whose returns are determined by money market instruments.
S.124	Non-MMF investment funds	Collective investment schemes other than those classified as MMF.
S.125	Other financial intermediaries	Financial corporations that are principally engaged in financial intermediation by incurring liabilities other than deposits, investment fund shares, for the purpose of acquiring financial assets; e.g., credit institutions, investment banks, asset financing corporations, securities corporations, and payment card corporations.
S.125X	Financial corporations in winding-up proceedings	Financial corporations that have been subjected to winding-up or composition negotiations and whose operating licences have been revoked.
S.126	Financial auxiliaries	Institutional units that are principally engaged in activities closely related to financial intermediation of assets and liabilities, but do not acquire the assets and liabilities for which they act as intermediaries; e.g., securities and insurance brokers, management companies, securities exchanges, and payment system operators.
S.127	Captive financial institutions and money lenders	Institutional units engaged in financial intermediation where their assets and liabilities are seldom traded in the open market. This applies to corporations engaged in transactions within a clearly delineated group (for instance, with subsidiaries or fellow enterprises); e.g., holding companies and special purpose entities (SPE).
S.128	Insurance corporations	Institutional units that are principally engaged in financial intermediation based on the pooling of risk, primarily in the form of direct insurance or reinsurance; e.g., life and non-life insurance corporations.
S.129	Pension funds	Institutional units that are principally engaged in financial intermediation by providing retirement income or disability benefits in accordance with pension entitlements.
S.13	General government	Institutional units that have legislative, judicial or executive authority over institutional units within a given area. Provide services on a non-market basis and finance their activities out of taxation or other compulsory transfers.
S.1311	Central government	Ministries, government institutions and legislative authority.
S.1313	Local government	Institutional units controlled by local governments.

S.14	Households	One or more individuals who share the same living accommodation and consume certain types of goods and services collectively, namely housing and food.
S.15	Non-profit institutions serving households (NPISH)	Institutional units that produce goods and services for households, either for free of charge or at a low price, and are not operated for profit; e.g., trade unions; political parties; churches and religious societies; and social, cultural, recreational, and sports clubs.
S.2	Non-residents	Institutional units residing outside Iceland.

3. Concepts and definitions

Mutual funds are managed by a separate management company that handles and is responsible for fund operation. Management companies operate on the basis of Act on Financial Companies no. 161/2002 and the Act on Mutual Funds no. 128/2011. The management company issues unit share certificates to owners of fund shares. By law, the management companies are independently operating financial institutions; that is, autonomous legal entities that are to be independent of the parent companies. Mutual funds are not considered legal entities because they are established and operated by the management companies concerned. Mutual fund operation requires an operating licence. Such a licence is granted only to management companies. Management companies receive operating licences from the Financial Supervisory Authority, and on the basis of such a licence, a management company can open branches or provide services throughout the European Economic Area (EEA).

Alternative investment fund managers operate on the basis of the Act on Alternative Investment Fund Managers no. 45/2020. With this Act, the AIFM (Alternative Investment Fund Managers) directive of the European Union was implemented into Icelandic legislation. The law addresses the right to operate and market alternative investment funds in the EEA. They also address the right to operate and market investment funds in this country. Investment funds and institutional investment funds belong to alternative investment funds.

Mutual funds and **investment funds** are funds that receive money from the general public for collective investment. The funds are intended to invest in financial instruments and other assets

based on diversification of risk according to a pre-defined and pre-announced investment strategy.

Institutional investment funds are funds for collective investment, but the distinction between them and mutual and investment funds is that they are available only to institutional investors. The general public is not authorised to invest in institutional investment funds; furthermore, it is prohibited to market and promote such funds to the public. Institutional investment funds' investment authorisations are much broader; in fact, they are unrestricted. Investing in institutional investment funds is therefore much riskier than investing in funds available to the public.

The funds are further defined in the above-mentioned Act on Mutual Funds no. 128/2011 and the Act on Alternative Investment Fund Managers no. 45/2020.

Type of fund refers to the categories in which the funds are classified: alternative investments, bond fund, equity fund, hedge fund, mixed fund, money market fund and real estate fund. The classification of a fund depends on its investment strategy.

Alternative investments

Funds that are in enterprise form and are thus independent legal entities. They are often established as limited partnerships and invest in, for example, real estate and unlisted equities.

Bond fund

Fund that, according to its investment strategy, invests primarily in securities other than shares.

Equity fund

Fund that, according to its investment strategy, invests in domestic or foreign equity securities.

Hedge fund

Hedge funds are considered specialised investments. Hedge funds do not fall under the conventional statutory restrictions on investment strategy (investor protection). For this reason, their investment options are more flexible than conventional mutual funds and may use a variety

of investment methods, such as short positions, leveraging, and derivatives, that other funds may not use to the same extent. Hedge funds are available only to institutional investors and are closed to the general public.

Mixed fund

Fund that, according to its investment strategy, invests in both equity and bonds with no prevalent policy in favour of one or the other instrument.

Money market fund

Fund that, according to its investment strategy, invests in money market instruments. Money market instruments are highly liquid instruments that are usually traded in the short-term market (money market), such as State or municipal bills, certificates of deposit, and negotiable instruments excluding payment instruments. The term *payment instruments* refers to cheques, bills of exchange, and other comparable payment documents. The maximum duration of individual instruments is 397 days.

Real estate fund

Real estate fund is considered specialised investments. A real estate fund is a fund that invests in real estate. It may be listed or unlisted.

According to the Foreign Exchange Act, no. 87/1992, a **resident** is any individual permanently resident in Iceland in accordance with the provisions of the Act on Legal Domicile, irrespective of nationality. Students and embassy employees are exempt from the residency requirement. An Icelandic citizen (and his family) who resides abroad and works there on behalf of the Government of Iceland, for an embassy, standing committee, or consulate, and receives wages from the Treasury, or an Icelandic citizen who is an employee of an international institution of which Iceland is a member, is considered a resident of Iceland. The term *resident* also refers to any legal person registered as legally domiciled in Iceland, stated to be resident in Iceland in its articles of association, or in effect managed in Iceland. Domestic branches of legal entities domiciled abroad are considered residents.

Non-residents are all those not falling under the above definition of a resident.

Equity is a shareholder's claim on a given shareholding in a public limited company. The undertaking issues a document (share certificate) confirming that the owner of the certificate (shareholder) holds a share in the company's assets and annual profit. Equities are generally negotiable instruments; i.e., they may be bought and sold as is specified in the company's Articles of Association.

Investment fund share is a financial instrument which confirms the right of all persons with a holding in a fund for collective investment, or individual division of it, to the fund's securities assets. All owners of unit shares shall have the same right to the fund's income and assets, or those of the division concerned, in proportion to their share of total issued unit share certificates. Unit share certificates provide confirmation of entitlement to an ownership share.

Bond is a unilateral written undertaking by an issuer (debtor) to pay another party (the creditor) a specified amount including interest for a certain period of time and to repay the loan on its date of maturity. Bonds are commonly issued with a maturity of 5-30 years, with or without price indexation. Inflation-indexed bonds are issued for a minimum of five years according to the Central Bank [Rules on Price Indexation of Savings and Loans, no. 492/2001](#), and are indexed to the consumer price index. Non-indexed bonds have a term shorter than five years.

Housing Financing Fund bonds (HFF bonds) are bonds issued by the Housing Financing Fund (beginning on 1st of July 2004) to finance mortgage lending for the purchase or construction of housing.

Housing Bonds are bonds that were issued by the Housing Financing Fund (previously the State Housing Authority) between 15 November 1989 and 1 July 2004, to finance mortgage lending for the purchase or construction of housing. Housing Bond issuance was discontinued when the Housing Financing Fund began issuing the new HFF bonds.

Housing Authority Bonds were issued and sold by the State Housing Authority, the forerunner to the Housing Financing Fund, to refinance the Authority's older loans and to finance new social

loan categories. Housing Authority Bond issuance was discontinued when the Housing Financing Fund began issuing the new HFF bonds.

Marketable bonds are transferable bonds offered for sale to individuals and/or legal entities in an offering in which all the main features of the instruments in each class are the same, including the name of the issuer (debtor), first interest date, and provisions concerning prepayment, interest rate, and calling, as appropriate. Marketable bonds can be indexed (i.e., their principal changes in accordance with a specified index value), non-indexed (nominal), or foreign-dominated. Marketable bills also fall into this category.

Deposits are funds placed in an account with a deposit-taking corporation, for short- or long-term investment. Deposits can be retail or wholesale deposits. Wholesale deposits are deposits for which a special agreement concerning terms and duration has been negotiated, either directly with the deposit institution concerned or through the intermediation of a broker in the money market.

- Current accounts are deposits that can be used for payment to a third party via debit card, cheque, or other direct payment mechanism.
- Sight deposits are deposits that cannot be used directly as payment to a third party via debit card, cheque, etc., but are always available for withdrawal. Deposit accounts in which each individual deposit is tied for a short period (several days) but where the balance is otherwise available for withdrawal are included with sight deposits.
- Indexed deposits are deposits that are linked to the consumer price index and bear interest as well. The balance is tied for a fixed period of time; cf. the [Rules on Price Indexation of Savings and Loans, no. 492/2001](#).
- Other time deposits are deposits that either must be held for a fixed term or can only be withdrawn by giving advance notice; that is, they do not have a pre-negotiated commitment period but can be converted to liquid form with advance notice.

Derivative is a contract whose settlement depends on developments in specific variables such as interest, currency exchange rate, share price in a given company, movement in a given index, or

commodity price. The value of such a contract is based on developments in the specified underlying variables between the contract date and the settlement date.

Securities issuance is the issuance of bonds and bills for procurement of credit financing. Short-term loans are loans taken for a term of one year or less. Long-term loans are those with a maturity longer than one year. Because the original term of the loan is used as the reference for the loan maturity, a loan taken for more than one year is always considered a long-term loan even though the actual residual maturity may be one year or less.

Direct borrowing is a formal agreement between two parties (without the intermediation of a third party), whereby one of the parties (the lender) lends the other party (the borrower) a specific amount in return for the borrower's written pledge to repay the loan according to specified terms and conditions. Direct borrowing is further specified according to whether the loan is indexed-linked or another type of loan (non-indexed or foreign denominated).

4. Processing

Data are processed by the Central Bank of Iceland IT & Statistics Department. Tables show the position at the end of the month.

5. Time series and data frequency

Balance sheet summaries of operating mutual funds, investment funds, and institutional investment funds are submitted monthly. Data for mutual funds are available on a monthly basis from 1st of December 1993. Data for investment funds are available on a monthly basis from 1st of January 2004. Data for institutional investment funds are available on a monthly basis from 1st of September 2011 but alternative investments were added to institutional investment funds on 1st December 2016.

Data are published monthly on the [Statistics page](#) of the Central Bank of Iceland website.

6. Other

List of management companies for mutual funds, investment funds, and institutional investment funds

1. Akta sjóðir hf.
2. GAMMA Capital Management hf.
3. Ísafold Capital Partners hf.
4. Íslandssjóðir hf.
5. ÍV sjóðir hf.
6. Kvika banki hf.
7. Kvika eignastýring hf.
8. Landsbréf hf.
9. Stefnir hf.
10. Summa rekstrarfélag hf.
11. Alternative investments, which are funds in enterprise form. They are collective investment schemes and are often established as limited partnerships.