Statistics on investment funds

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Overview

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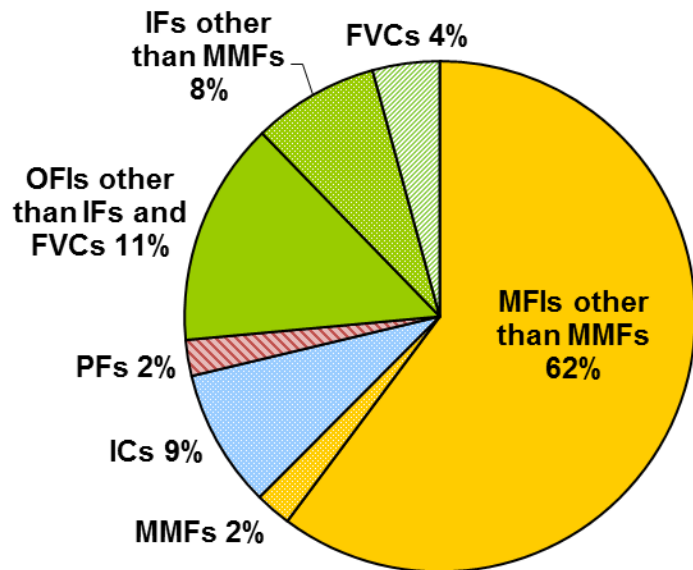
Structure of euro area financial sector

Euro area financial corporations assets 2008 Q4
(percentages of total assets)

- IFs other than MMFs 8%
- FVCs 4%
- OFIs other than IFs and FVCs 11%
- PFs 2%
- ICs 9%
- MMFs 2%
- MFIs other than MMFs 62%

Euro area financial corporations assets 2018 Q4
(percentages of total assets)

- IFs other than MMFs 16%
- FVCs 2%
- MFIs other than MMFs 46%
- OFIs other than IFs and FVCs 22%
- PFs 3%
- ICs 10%
- MMFs 1%

Source: ECB.

Total assets of the euro area financial sector **amount to ~ €76 trillion** in 2018 Q2

Note: euro area GDP in 2017 ~ €15 trillion

Definition and reasons for investing

Definition of investment funds (IFs): 'Investment Fund' means a collective investment undertaking that **invests in financial and/or non-financial assets** to the extent that its objective is investing capital raised from the **public**.

- Not included: pension funds and money market funds

Definition of Money Market Fund: 'Money Market Funds' are a kind of mutual funds that **invest in highly liquid, near-term instruments** and are part of the money market sector

Reasons for investing in IFs:

- benefit from economies of scale, i.e., lower transaction costs

- increase the asset diversification

- professional investment managers, which may potentially be able to offer better returns or more adequate risk management

Total euro area IFs - Instrument breakdown
Data of December 2018

ASSETS	% of total assets	LIABILITIES	% of total assets
Deposits and loans claims	7%	Deposits and loans taken	4%
Debt securities	37%	Investment fund shares	90%
Equity	29%	Other liabilities	6%
Investment fund and MMF shares	17%		
Non-financial assets	3%		
Other assets	7%		

Overview

1	Categorisation and definition of investment funds
2	**Legal background and reporting**
3	A look at the data
4	Future developments

Legal background and reporting

The current monthly and quarterly IF statistics, first released in December 2009 (ref. as of Dec08), are compiled in accordance with:

- **Regulation ECB/2013/38 ("IF Regulation"):** from reporting agent to national central bank (NCB); Link
- **Guideline ECB/2014/15 ("MFS Guideline"):** from NCB to ECB; Article 19 refers to IF statistics; Link
- **Manual on Investment Fund Statistics** based on the IF Regulation and MFS Guideline: not legally binding, allows consistent understanding of the statistical requirements; Link

Note: Non-harmonised quarterly IF statistics published between 2003 and 2009 ("short-term approach"), as of ref. 98Q4

IF Regulation: Main features

- General feature: introduced security-by-security reporting in order to **minimise reporting burden**

- **Frequency:**

  - Monthly: IF shares/units issued

  - Quarterly: detailed assets and liabilities

- End-of-period **stock** data and **revaluation adjustments/transactions**, where applicable

- **Deadlines:** 28th working day following the end of the reference period from NCB to ECB (for monthly and quarterly data)

IF Regulation: Main features (continued)

Reporting as a "combined approach":

- granular security-by-security information for securities data

- aggregated information for all other balance sheet items

➢ **Security-by-security information:**

- Security identifier code (e.g. ISIN)

and 2 out of the following 3:

- Number of units or aggregated nominal amount

- Price

- Total amount

➢ **Aggregated information:** outstanding amounts (stocks) and   adjustments/transactions

➢ Non-compliance: Decision ECB/2010/10, Guideline ECB/2010/NP15, as amended

MFS Guideline: data to be reported

- Table 1: Quarterly stocks, revaluation adjustments (due to price and exchange rate changes) and reclassification adjustments

- Table 2: Monthly stocks, revaluation adjustments (due to price and exchange rate changes) and reclassification adjustments; sales and redemptions of IF shares/units issued

For security-by-security (s-b-s) data provided to the NCB: aggregated data derived by mapping s-b-s information to information available in the Centralised Securities Database (CSDB)

MFS Guideline: sub-categories to be reported

Each table to be provided for 12 sub-categories

- IFs broken down by nature of investment

  - Equity funds

  - Bond funds

  - Mixed funds

  - Real estate funds

  - Hedge funds

  - Other funds

- As of-which category: separate information on exchange traded funds (ETFs) and private equity funds (if available) required in the Guideline

- Each of which further broken down by type of IF

  - Open-end / closed-end funds

  - UCITS / non-UCITS funds split added in 2018 MFS Guideline update

MFS Guideline: Hedge funds

What is a hedge fund?

- Some common characteristics used as a basis for statistical definition:

    - "…apply relatively unconstrained investment strategies to achieve positive absolute returns, and whose managers, in addition to management fees, are remunerated in relation to the fund's performance…"

- Other criteria not included in the hedge fund definition

    - Investors in hedge funds

    - Subscription / withdrawal

    - Hedge fund manager's own capital

Overview

Shares/units issued by euro area IFs broken down by investment policy (December 2018, excluding MMFs)
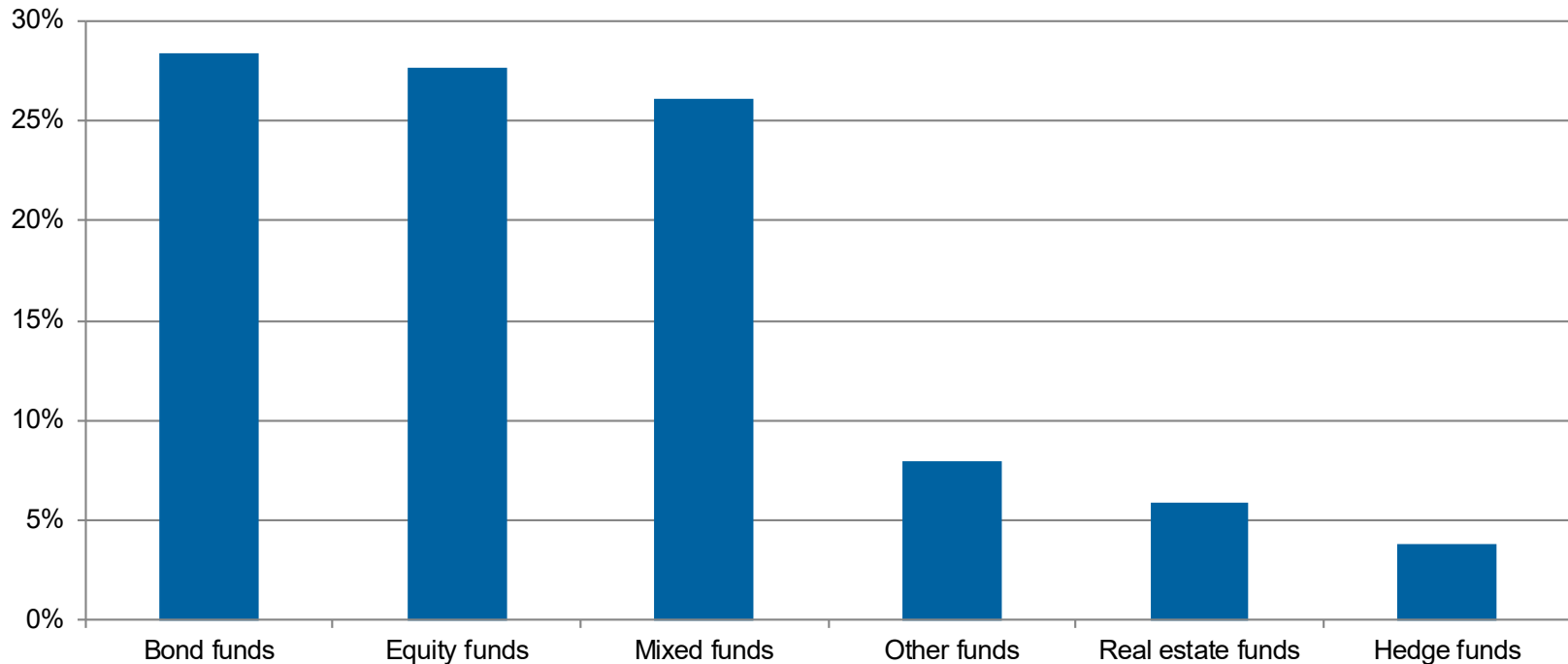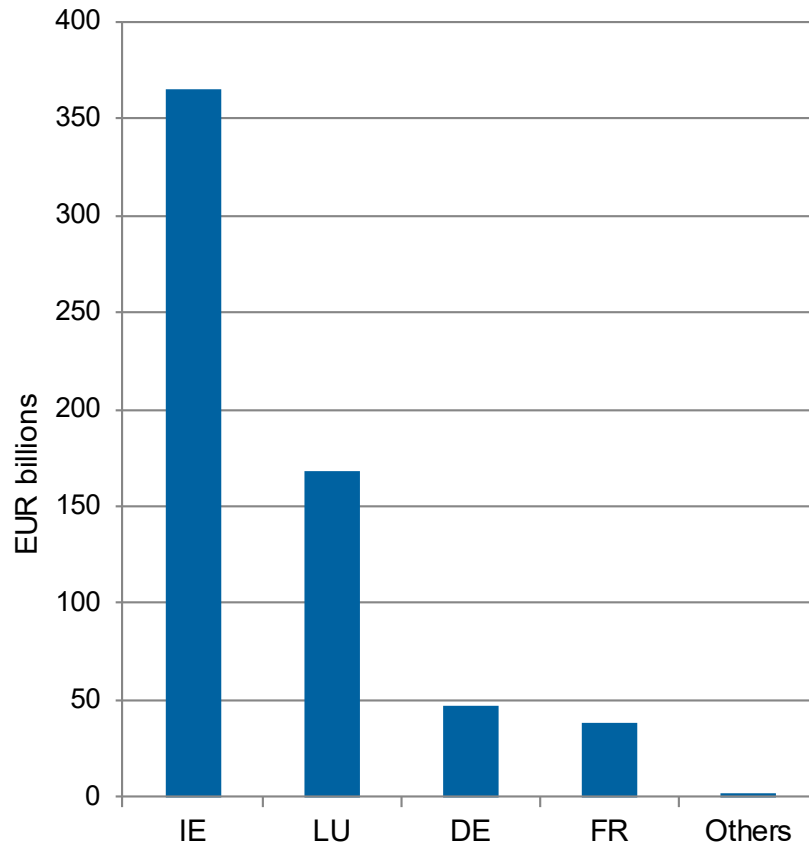

- Equity, Bond and Mixed funds account for **82%** of total IF shares/units issued in the euro area

- Hedge funds: represent **4%** of total IF shares/units issued in the euro area (only hedge funds resident in the euro area are covered)
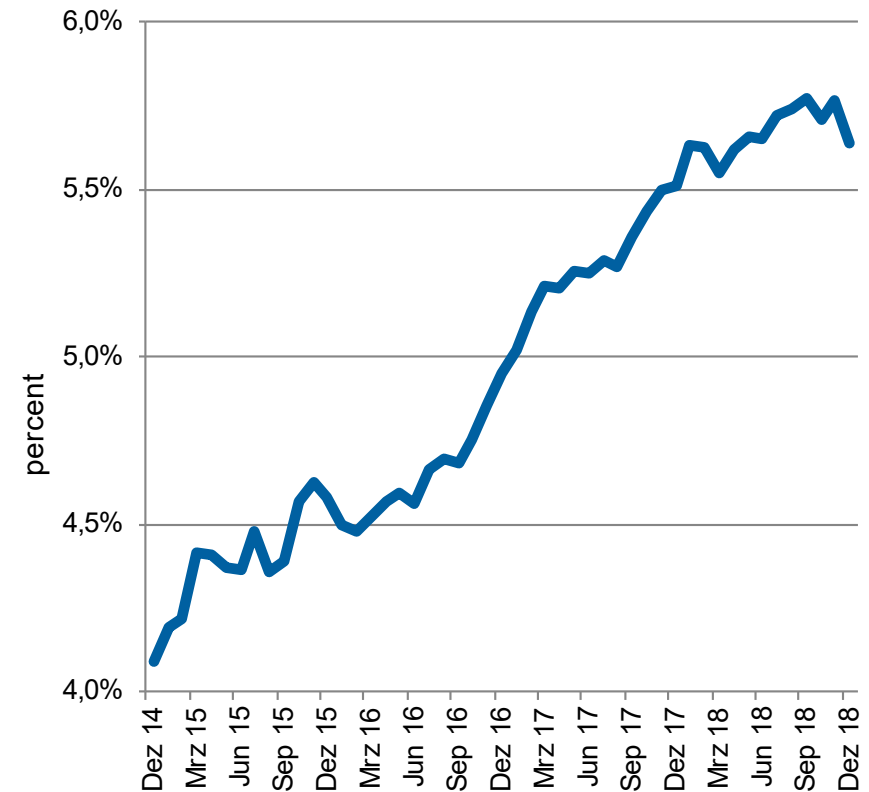
ETF data
(Exchange traded funds)

− Share of ETFs' shares/units issued in total funds

EUR billions (IE, LU, DE, FR, Others)

▪ Shares / units issued by ETFs by country
(December 2018)

percent

Overview

Future Developments

- Private equity funds (PEFs) data

  - Data for PEFs are collected best-effort basis under the Guideline

  - So far, no data has been published: data quality is still under assessment

- Issues and redemptions

  - More visible publication of issues and redemptions data

- Review of IF Regulation and MFS Guideline requirements

  - Last IF Regulation update in 2013

  - IFs are becoming increasingly important in particular for financial stability analysis

  - Assessment what data on IFs is needed in the future to fill data gaps

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