



ÉCOLE POLYTECHNIQUE
FÉDÉRALE DE LAUSANNE

Rules and Regulations regarding Financial Management LEX 5.7.3

14th June 2010, status as at 1st January 2017

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The Direction de l'Ecole polytechnique fédérale de Lausanne,
in accordance with the *Loi sur le domaine des EPF* of 4th October 1991¹,
the *Convention de trésorerie conclue entre AFF et CEPF* of 29th November 2007²,
the *Directives de placement du domaine des EPF* of 23rd/24th September 2008,
the *Ordonnance sur les finances et la comptabilité du domaine des EPF* of 5th December 2014³
and based on Article 19 of the *Ordonnance sur le domaine des EPF*⁴
hereby adopts the following:

Chapter 1 General points

Article 1 Objectives and scope of application

The rules and regulations regarding financial management are intended to:

- a. Set out the rules and regulations for the management of finance-related activities, both from a strategic and an operational point of view, in particular those regarding financial risks (foreign currencies FX and investments);
- b. Lay out the roles, responsibilities and competences of each actor involved;
- c. Describe the main operating procedures for financial management as well as the key steps, and thus how to establish a basis for the ICS.

Article 2 Definitions

¹ **Financial resources:** All financial assets (liquid assets, short term investments, deposits, securities holdings) owned by EPFL.

² **Budgetary resources:** Funding from the Confederation.

³ **Secondary funds:** Resources obtained through a competitive process from offices of the Confederation or from offices in which the Confederation participates financially (SNF, CTI, Offices of the Confederation, European Commission Framework projects).

⁴ **Third-party funds:** All of the resources which are neither Budgetary resources nor Secondary funds. Only Third-party funds may be invested in capital markets.

⁵ **Financial management.** Includes all of the activities surrounding the planning, implementation and control of Financial resources. Financial management covers both Cash management and Asset management.

⁶ **Cash management.** All of activities which guarantee payment capacity as well as the management of liquid assets in Swiss francs and other currencies.

⁷ **Asset management** (Gestion de fortune): All of the activities surrounding the planning, investment (optimum between risk and return), and monitoring of Financial resources invested in capital markets for longer than one year.

¹ [RS 414.110](#)

² This agreement states, amongst other points, that funds referred to as 'budgetary' (budgetary contribution from the Confederation) and "secondary" (resources from offices of the Confederation) are to be invested with FFA, whereas Third-party funds (private sources of funding) may be invested in monetary and/or capital markets.

³ [RS 414.123](#)

⁴ RS 414.110.3

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⁸ **Rebalancing:** By 'Rebalancing' is understood the adaptation of the current investment structure to the structure targeted by the investment strategy. The proportion of investments for which the weight is superior (inferior) to the target value must be reduced (increased) depending on this value. This Rebalancing may be achieved through the investment of new resources or the redistribution of existing investments.

⁹ **Equity capital:** In accordance with IPSAS, funds qualified as Equity capital differ from those classed as foreign Equity in that their contract clauses lay out *restrictions* as opposed to *conditions*. Points which notably form part of the *conditions* include:

- A precise allocation of resources;
- Explicit conditions for reimbursement (in the contract);
- Precise provisions regarding the use of resources.

Third-party funds which do not correspond or which correspond only partly to these criteria are recorded in the following Equity capital categories:

- Allocated reserves (« zweckgebundene Reserven »);
- Free reserves (« freie Reserven ») possessed by the EPFL Direction.

The Free reserves possessed by the EPFL Direction may be used without restriction provided that no commitment is associated with them. Other Free reserves, as well as the Allocated reserves are reserves possessed by Units (of level 2 to 4) and may be subject to temporary use.

¹⁰ **Financing:** By 'Financing' is understood the amount withdrawn from the Equity capital and allocated to a specific project.

¹¹ **Reimbursement.** Reimbursement corresponds to the nominal value of funding.

¹² **Reimbursement period.** The Reimbursement period runs from the start date of the new infrastructure.

Article 3 Confidential and evolutive information

¹ The Annexe to the Rules and Regulations regarding Financial Management (« Annexe ») is a separate document from the current Directive which includes confidential or evolutive information such as (non-exhaustive list):

- a. List of authorised banks;
- b. Strategic allocation of investments;
- c. Currency management;
- d. Financial competences regarding Financial management.

² This information is updated periodically and validated by the Vice-President for Finances.

³ This document will be published once the investment strategy has been defined.

Chapter 2 Principles

Section 1 Financial management and Cash management

Article 4 Financial management

¹ The management of EPFL Financial resources is carried out in accordance with the provisions of the *Convention de trésorerie* and the *Directives de placement du CEPPF*.

² The accounting standards of the ETH Domain are applicable for external reporting. Irrespectively of the accounting regulations, financial management must maintain an economic approach (market values, risk exposure, etc.).

³ Financial resources must be managed in such a way as to ensure that:

- Financial commitments may be honoured at any time up until their due date;
- The risk-taking capacity as defined in the investment policy is respected at all times and that it is not exceeded;
- Within the context of the investment policy, long-term returns of the highest possible value are targeted;
- Negative effects on the reputation of EPFL are avoided.

⁴ The Financial resources of EPFL must be used above all for the payment of costs incurred within the framework of training and research and not for the achievement of financial results.

Article 5 Cash management

¹ Cash management includes the provision of resources guaranteeing payment capacity, the short-term management of liquid assets (focusing predominantly on aspects of risk and return) as well as the management of currencies.

² Short-term liquid assets include the following Financial resources: cash registers, postfinance and bank accounts (in CHF and other currencies) and short-term investments (< 1 year).

³ Short-term liquid assets are to be invested in such a way as to achieve normal market return, whilst respecting the principles of liquid assets and security (distribution of risks).

⁴ An integral aspect of Cash management is the management of credit, notably the setting of payment conditions, and the handling of payment collection and disputes.

⁵ The separation as well as the monitoring of Secondary and Third-party funds is handled by the Treasurer. Its aim is to ensure conformity with the requirements laid out in the treasury agreement.

Section 2 Asset management

Article 6 General points

¹ Asset management includes the management of resources for a period exceeding one year. Asset management is conducted in respect of the strategic allocation. Funds termed primary or secondary are not taken into account in Asset management.

² Participation in a 'pool' of investors is possible provided that EPFL remains responsible for its own decisions.

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Article 7 Long-term investment of Third-party funds

These investments:

- a. are primarily concerned with liquid securities, are easily tradable and of high quality;
- b. are spread across several investment categories, markets, currencies, domains and sectors of activity;
- c. must, if possible, respect sustainability principles;
- d. must generate a return in line with market possibilities.

Article 8 Tools available for EPFL for the implementation of the investment strategy

These tools are as follows:

- a. The organisation of Asset management and regulation of competences which guarantee an efficient decision-making process functioning according to the 'four eyes' principle;
- b. An information concept which allows different bodies access to relevant information;
- c. Planning and monitoring tools, notably including the plan for liquid assets, as well as periodic analyses of the results of investments and the state of the strategic allocation;
- d. The periodic calculation of investment returns.

Article 9 Risk management

The principles of risk management are as follows:

- a. The inherent risk of the asset classes which make up a given portfolio must be able to be calculated on the basis of historical data;
- b. On the basis of optimised portfolios (risk-return profile), a maximum risk is calculated with a confidence level of 95% or greater;
- c. A reserve for the risk of value fluctuation is incorporated into the amount of the maximum risk, which defines the capacity to take such risks.

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Article 10 Investment limitations

The maximum investment limitations per asset class must be respected at all times. They concern the long-term investment of Third-party funds only (funds invested by FFA excluded).

Asset class	Minimum	Maximum
Currency market investment	0%	100%
Bonds CHF	0%	100%
Foreign currency bonds	0%	30%
Swiss stocks	0%	20%
World stocks	0%	15%
Total stocks	0%	30%
Alternative investments (hedge funds excluded)	0%	10%
Indirect real estate investments in Switzerland	0%	10%

Article 11 Confidentiality and conflicts of interest

¹ All persons involved in Financial management are subject to the duty of confidentiality.

² It is prohibited for all persons involved in Financial management to accept any form of retrocession or other financial benefit.

Chapter 3 Roles, competences and responsibilities

Section 1 Internal Roles

Article 12 Vice-President for Finances

According to the competences defined in the *Ordonnance sur l'organisation de l'EPFL*, within the context of the present provisions, the Vice-President for Finances, adopts the following roles, competences and responsibilities, of which he/she may delegate all or part. Any delegation shall be set out in a separate document.

- He/She suggests the composition of the Investment Committee to the Direction and acts as Chair for the Committee;
- He/She suggests the composition of the Committee for managing the temporary usage of Equity capital and ensures that this Committee possesses a set of guidelines;
- He/She obtains the approval of the investment strategy from the Direction and is responsible for its implementation and for ensuring it is respected;
- He/She periodically informs the President regarding the development of Financial resources, the results obtained by the Asset managers, particular events, and where necessary, the measures planned;
- He/She gives instructions regarding the implementation and monitoring of measures relating to the concretisation of the strategic allocation.

Article 13 Investment Committee

¹ Roles and responsibilities:

Within the context of Asset management, the operational Investment Committee adopts the following roles, competences and responsibilities.

- It acts as advisor to the Vice-President responsible for setting up the strategic allocation;
- It defines the value of the reserve for value fluctuation risk;
- It monitors respect of the allocation strategy;
- It determines the partner banks, Asset managers and other external partners (e.g. external advisors and central securities depository) with which EPFL intends to work;
- It monitors the activity and performance of Asset managers and where necessary, determines corrective measures.

² Composition of the Committee and mandate period

The Investment Committee is made up of 3 to 5 members, internal or external to EPFL. An expert may be associated with the Investment Committee, but is not a member of it.

³ Organisation

- The Investment Committee meets as often as is necessary, a minimum of twice per year or by specific request from one of its members;
- A written record is made of the Committee's decisions;

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- The convocation, the agenda and the documentation are transmitted to Committee members 10 days prior to the meeting;
- Exceptionally, consultations and decisions may be taken through the issuance of a circular letter, provided that none of the members oppose.

Article 14 Committee for managing the temporary usage of Equity capital

Within the context of Financial and Equity capital management, the Committee for managing the temporary usage of Equity capital adopts the following roles, competences and responsibilities:

- For reasons of efficiency, this Committee may be integrated into the Investment Committee and may invite other persons as necessary;
- It defines the availability and the strategic limitation of Equity capital for temporary usage and is responsible for its implementation;
- It supervises the management of funded projects, reimbursements and decisions regarding new temporary uses in respect of the strategy. The decision for a new temporary usage of Equity capital is taken based on the recommendation from a technical committee, who must analyse the quality of a project, the project's respect for the defined objectives and the achievement of specific financial objectives;
- It monitors respect of the strategy for the temporary usage of Equity capital;
- It presents situation regarding project funding to the EPFL Direction twice per year;
- It appoints a technical committee and decides if an external opinion is necessary for a decision to be taken;
- It monitors the activity, the work and the performance of the technical committee, and where necessary, determines corrective measures;
- The organisation, composition and tasks of the Committee for managing the temporary usage of Equity capital are set out in a separate document.

Article 15 Head of the Financial Service

Within the context of Financial management, the roles, competences and responsibilities of the Head of the Financial Service are as follows:

- He/She is responsible for the planning, control and optimisation of liquid assets;
- He/She determines, according to the principles laid out in the present rules and regulations and according to the instructions of the Vice-President for Finances, the proportion of Equity capital to be managed on a short-term basis and the proportion to be managed on a long-term basis by the Asset managers;
- He/She documents the development of tactical allocation groups and the activity of the Asset managers, and comments on possible differences between portfolios' return and expected return (benchmark);
- He/She prepares the Investment Committee's meetings and manages the activities of the secretariat;
- He/She determines the currency exposure resulting from operational activities and controls hedging according to the principles set out;

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- He/She is the contact person for the Asset manager(s) and the central securities depository;
- He/She monitors the development of the reserve for value fluctuation risk according to the principles laid out in the present rules and regulations;
- He/She prepares the reporting to the Investment Committee;
- He/She may delegate certain activities to the Treasurer.

Article 16 Treasurer

The Treasurer supports the Head of the Financial Service in the activities described above. In addition, he/she adopts the following responsibilities:

- He/She analyses the development of the treasury;
- He/She prepares a monthly treasury report as well as a short-term treasury plan covering 3 months (as soon as the tools will allow);
- He/She optimises the liquid assets depending on the net commitments and the market opportunities;
- He/She analyses the characteristics and the structure of the liquid assets and the equivalents to liquid assets and suggests corrective measures where necessary;
- He/She monitors the use of un-used lines of credit (if applicable);
- He/She draws up the annual treasury plan.

Section 2 External Roles

Article 17 Independent expert

EPFL may mandate an external expert for:

- Assisting in the implementation of its investment strategy;
- Monitoring the investment activities;
- Tasks of verifying the utility and conformity of mandate provisions for Asset managers;
- Asset management, in accordance with the principles defined in Art. 4 para. 3 of the *Directives de placement du CEPF*;
- Assisting with the analysis of projects which could be eligible for funding through the temporary use of Equity capital.

Article 18 Asset manager

¹ The Asset manager is responsible for the management of funds depending on clearly defined management mandates.

² The Asset manager draws up a quarterly report on the evolution of the funds under his/her management for the Head of the Financial Service. Where necessary, he/she will provide supplementary information orally to the Investment Committee.

³ The detailed provisions regulating the activities of the Asset manager are laid out below.

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Article 19 Global custodian

¹ The global custodian (banque dépositaire des titres) is primarily responsible for the following activities:

- The deposit of stocks, the progression of activities related to the purchase and sale of stocks between EPFL and the Asset manager;
- Securities lending activities (prêt de titres), paying particular attention to the counterparty risk thus generated;
- Keeping accounts for investments according to professional standards and the instructions received from the Head of the Financial Service;
- Establishing and presenting the information defined in points 4.3.3, necessary for the control of investments, notably the calculation of expected return per Asset manager and per Asset class (with a comparison of the relevant index).

² The contractual provisions as well as the responsibilities are defined in a separate mandate. In the case that the relationship with the global custodian should be waived, the Asset managers will become responsible for the above activities.

Chapter 4 Provisions

Section 1 Cash management

Article 20 Investments in the monetary market

¹ Short-term liquid assets must be invested according to the best return conditions. Only the proportion reserved for operational transactions may be held according to standard conditions of current accounts.

² The following principles also apply to investments in CHF and other currencies:

- The maturity of each investment must not exceed 12 months.
- Liquid assets are invested according to the best market conditions available at the time of the transaction. For amounts over CHF 10 million (or equivalent value in another currency) with an investment period of over one month, competing offers must be mentioned.
- Contracts (oral) are duly noted (counterpart, amount, duration, interest, currency).

Article 21 Currency management

¹ The goal of currency management is to minimise exchange risks. The practice of “market timing” is prohibited. Currencies are held for future payments. The principles listed below also apply:

- EPFL holds accounts in USD and EUR. Accounts in other currencies may be opened if necessary.
- The known incoming and outgoing amounts are to be hedged in a manner adapted to the circumstances and the market.
- Hedging is carried out via forward contracts or with derivatives based on the options enabling the complete covering of exchange risk.
- A ‘natural hedge’ must be achieved as far as possible in order to minimise exchange risk. For this purpose, the Financial Service will coordinate its efforts with the services concerned.

² Covering exchange risk is ensured by the Financial Service. For certain funding sources, the Financial Service may decide if foreign exchange hedging is appropriate or not.

Section 2 Asset management

Article 22 Strategic allocation

¹ The strategic allocation is defined using the characteristics of the long-term return and risk of different asset classes. These characteristics are regularly recalculated.

² Strategic allocation is periodic and must thus be reviewed as circumstances require. The current strategic allocation version is presented in the Annexe (which will be published when the investment strategy has been defined).

Article 23 Asset Classes

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¹ Liquid assets

- a. Taking into account the counterparty risk and the principle of risk distribution, it will be ensured that short-term investments are made with a variety of establishments.
- b. In the case of an investment in the monetary market, the counterpart must hold a minimum of an A rating (Standard & Poor's) or an A2 rating (Moody's). Should the rating fall below the fixed threshold values, the investment must be liquidated at the end of the contract.
- c. Non-remunerated liquid assets represent the exception.

² Bonds

- a. Bonds (CHF)
 - i. Quality and tradability. Bond investments must concern the listed bonds of public institutions, private companies or banks with a high solvency level. Solvency requirements are set out in accordance with market norms. The assets are to be sold within one month should the rating requirements no longer be met. Within the framework of collective investments, a derogation of these provisions may be made.
 - ii. Management style. The portfolio may be managed through index tracking or active management.
 - iii. Form of investment. The investments may take the form of individual securities or collective investments (according to Art. 56 OPP2).
- b. Foreign currency bond
 - i. Quality and tradability. Bond investments must concern the listed bonds of public institutions, private companies or banks with a high solvency level. Solvency requirements are set out in accordance with market norms. The assets are to be sold within one month should the rating requirements no longer be met. Within the context of collective investments, a derogation of these provisions may be made.
 - ii. Tradability. Investments may only be made in listed securities.
 - iii. Management style. The portfolio may be managed through index tracking or active management.
 - iv. Foreign currencies. All foreign currencies represented in the reference indices are permitted.
 - v. Foreign exchange hedge. Foreign currencies must be hedged at all times.
 - vi. Form of investment. Investments may take the form of individual securities or collective investments (according to Art. 56 OPP2).

³ Stocks

- a. Swiss (company) stocks
 - i. Diversification. The spectrum of investment corresponds to that of the reference indices. Particular attention must be paid to the diversification of sectors. A bias in the style of investment (small caps vs. large caps) is to be avoided.
 - ii. Tradability. Investments may be made in securities listed on the stock exchange only.
 - iii. Management style. The portfolio may be managed through index tracking or active management.

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- iv. Form of investment. The investments may take the form of individual securities or collective investments (according to Art. 56 OPP2).
- b. World stocks (inc. emerging markets)
 - i. Diversification. The investment spectrum corresponds to that of the reference indices. Particular attention must be paid to the diversification of countries and sectors. A bias in the style of investment (small caps vs. large caps) is to be avoided.
 - ii. Tradability. Investments may be made in securities listed on the stock exchange only.
 - iii. Management style. The portfolio may be managed through index tracking or active management.
 - iv. Foreign exchange hedge. Allowed.
 - v. Form of investment. The investments may take the form of individual securities or collective investments (according to Art. 56 OPP2).

⁴ Alternative investments

- a. Private equity
Investments in private equity are not permitted.
- b. Hedge funds
 - i. Diversification. Diversification appropriate to the form of investment is to be targeted, notably due to the limited liquidity of investments, their insufficient transparency and risks which are difficult to identify.
 - ii. Tradability. A good level of tradability should be targeted.
 - iii. Management style. The portfolio is to be managed actively.
 - iv. Foreign exchange hedge. Allowed.
 - v. Form of investment. Only investments in the form of collective investments are permitted (according to Art. 56 OPP2).
- c. Commodities
 - i. Diversification. Diversification appropriate to the commodity market is targeted.
 - ii. Tradability. A good level of tradability should be targeted. Structured products such as certificates and notes should be tradable on a secondary market.
 - iii. Management style. The portfolio may be managed through index tracking or active management.
 - iv. Currencies. Investments may be made in CHF or in foreign currencies. Foreign exchange hedge: allowed
 - v. Form of investment. Only investments in the form of collective investments are permitted (according to Art. 56 OPP2).

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Article 24 Real estate investments

¹ Investments in real estate may only be made in the form of a collective investment. Notably included are:

- a. real estate funds listed on the stock exchange;
- b. equity interests of real estate companies.

² The criteria applicable to the choice of collective investments are as follows:

- i. quality of management
- ii. quality and level of building maintenance
- iii. level of indebtedness
- iv. evaluation principles
- v. administration costs
- vi. geographic diversification
- vii. diversification of building type
- viii. return and risk elements
- ix. liquidity of units

Section 3 Asset manager(s)

Article 25 Selection

¹ Asset managers must be independent of EPFL or their mandate must not place them in a situation in which they will experience a conflict of interest.

² Asset managers must be banks or independent Asset managers and must satisfy the following criteria:

- i. be capable of carrying out the mandate in a professional and successful manner, demonstrating their skills and expertise;
- ii. demonstrate proven experience in similar mandates for a period of at least 5 years;
- iii. appoint persons dedicated to the mandate and displaying an interest in the activities of EPFL;
- iv. be capable of clearly explaining the investment procedure (management style, quality and experience of asset managers responsible for dossiers, adequacy of organisation);
- v. be capable of working in smooth collaboration with the global custodian;
- vi. management costs in line with market standards.

Article 26 Specification of management mandate

In particular, the mandate for the Asset manager must mention the following points:

- Initial volume
- Mandate objectives
- Benchmarks
- Maximum authorised risk
- Authorised investments

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- Use of derivatives
- Head and deputy manager
- Required content and timing of reporting
- Responsibility of the bank and eventual reimbursement
- Management costs
- Retrocessions
- Securities lending
- Start and end (at any time) of the mandate
- Respect of provisions in the ASIP charter⁵

Article 27 Monitoring

Controls on investments enable the permanent monitoring of managers' activity. The key following information is provided by the global custodian:

- The return obtained in comparison to the objective
- The risk relating to the return in comparison to the benchmark
- The investment structure in comparison to the strategic allocation
- Respect of the management style
- The volume of transactions
- The use of derivatives
- Specific themes as necessary

Article 28 Evaluation of Asset manager

¹ The evaluation of an Asset manager's performance:

- i. primarily allows for the comparison of the return and the risk obtained in relation to the defined objectives as well as to other similar mandates;
- ii. occurs on a quarterly basis with the presentation of monthly figures;
- iii. is carried out on a more long-term basis (three years and longer).

² The evaluation begins from the start date of the Asset management mandate. A discussion regarding performance will take place at least once per year.

Article 29 Reduction or termination of an Asset management mandate

The reduction or termination of an Asset management mandate occurs:

- Immediately following a serious violation of the investment directives;
- When organisational changes from the Asset manager cast doubt over the continuity of his/her proper execution of the mandate;
- Following repeated unsatisfactory performances.

⁵ Association Suisse des Institutions de Prévoyance

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Article 30 Reporting

When?	Who?	Recipient	Content
Monthly	Global Custodian or Asset manager	Financial Service	<ul style="list-style-type: none">▪ Return (per mandate/asset class/for the global wealth)▪ Comparison with benchmarks▪ Structural analyses▪ Derivatives▪ Account statements and transactions▪ Respect of tactical allocation groups▪ Brief summary
Quarterly (or more frequently if necessary)	Financial Service	Investment Committee	<ul style="list-style-type: none">▪ Control report▪ Evaluation of investment activity▪ Evaluation of derivatives▪ Evaluation of collective investments▪ Evaluation of return▪ Suggestions of measures
Biannually	Vice-President for Finances	EPFL President	<ul style="list-style-type: none">▪ Status of portfolio▪ Development of Financial resources▪ Results of Asset managers▪ Particular events▪ Development of the reserve for value fluctuation risk.
Annually	Financial Service	Investment Committee	<ul style="list-style-type: none">▪ Report on investment activity and performance.

Chapter 5 Temporary use of Equity capital

Section 1 Principles relating to the temporary use of Equity capital

Article 31 General points

¹ The management of EPFL Financial resources is handled in accordance with the provisions of the *Convention de trésorerie* as well as the *Directives de placement du CEPP*.

² The accounting standards of the ETH Domain are applicable for external reporting. If they do not cover the existing situation, the Financial Service will define rules in accordance with IPSAS standards.

³ Financial resources must be managed in such a way as to ensure that:

- i. Financial commitments may be honoured at any time up until their due date;
- ii. Projects financed with the aid of a temporary usage of Equity capital have a clearly defined and guaranteed reimbursement plan, based on the cost reduction generated by the investment;
- iii. Negative effects on the reputation of EPFL are avoided.

Article 32 Areas for possible funding

The temporary use of Equity capital may be employed for the following types of project:

- a. Primarily, to ensure the energy transition of the EPFL campus and the reduction of associated costs;
- b. Secondly, to improve the teaching infrastructures if such improvement will ensure a cost reduction allowing for a reimbursement plan.

Article 33 Tools available for EPFL for the implementation of the strategy for the temporary use of Equity capital

These tools are as follows:

- a. The organisation of Equity capital management and the temporary use of Equity capital and regulation of competences which guarantee an efficient decision-making process and which function according to the 'four eyes' principle;
- b. An information concept which allows different bodies access to relevant information;
- c. Planning and monitoring tools, notably including the plan for liquid assets, the temporary use of Equity capital requirements, the reimbursement status of funding projects, as well as periodic analyses of the status of Equity capital and its long-term availability

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Article 34 Risk management

The principles of risk management are as follows:

- a. Before attributing project funding, a risk evaluation is carried out by the Committee for managing the temporary usage of Equity capital. The key points are as follows:
 - i. the quality and accuracy of the cost reduction calculations;
 - ii. the Reimbursement period;
 - iii. the planning of the reimbursement period and the risks which may prolong this period.
- b. During the reimbursement period, an annual analysis will be carried out in order to monitor the development of cost reduction and the payment of reimbursements.
- c. Planning of the Equity capital requirements over five years, updated annually, and a re-evaluation of Equity capital each year.

Article 35 Financial aspects

¹ Financial conditions:

The financial and budgetary conditions associated with the temporary usage of Equity capital are as follows:

- a. The DCF method is to be applied to demonstrate the profitability of an investment project. The discount rate is 1%.
- b. The reimbursement period (or pay-back period) is generally set at ten years maximum. In duly justified cases, this period may be extended to fifteen years maximum.
- c. Budgetary planning.
 - i. The annual reimbursement instalments must be provided for in the budgetary planning by the Direction. The planning may be reviewed, but the proportion for reimbursement for the five previous years must not exceed 2/3 of the total funding.
 - ii. The maximum period for reimbursement must not be exceeded.
 - iii. The cancellation of an annual reimbursement is not possible.
- d. The maximum limit for the use of Equity capital is determined by the amount of Equity capital and the planning over five years in terms of Equity capital requirements. At no time may it exceed 50% of the Equity capital available.

² Budgetary management and accounting aspects

According to the nature of the investment project, it will be handled either by the EPFL accounting service or the accounting service of the OFCL constructions. The following conditions apply to the two cases listed below.

³ EPFL accounting service

- a. Only CFC 3 and 9 financing projects are handled by the EPFL accounting service.
- b. Each funding project is subject to a specific Third-party fund and is linked to a category of allocated reserves.
- c. Each year, an internal transfer corresponding to the investment budget for the year is completed from this Third-party fund to the budget revenue fund.

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- d. The transfer generates on one hand an equivalent budget revenue and on the other an equivalent spending budget attached to the unit responsible for carrying out the project.
- e. At the end of the year, the budget revenue and the specific costs are adjusted in relation to the actual expenditure. The difference is offset by the Third-party financing funds.
- f. The Reimbursement period runs from the start date of the investment.

⁴ OFCL accounting service

- a. The financial and accounting rules which regulate this accounting service also apply to projects financed by the temporary usage of Equity capital.
- b. Co-financing regulations apply to projects financed by the temporary usage of Equity capital.

Article 36 Validation of funding

The technical committee validates the project proposition in order to ensure that the project satisfies the following conditions:

- a. The goal of the project complies with the domains listed for eligibility;
- b. The feasibility and quality of the project guarantee execution within the deadlines with a result which ensures a reduction of costs, allowing for the reimbursement within the timeframe set in accordance with the financial conditions stipulated in this document.
- c. The calculation of the cost reduction may be technically validated and satisfies the financial conditions listed above.

Article 37 Communication

The Vice-President for Finances ensures that projects financed by the temporary usage of Equity capital are documented and communicated to all members of the campus.

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Article 38 Reporting

When?	Who?	Recipient	Content
Biannually	Financial Service	Committee for managing the temporary usage of Equity capital	Monitoring report: <ul style="list-style-type: none">• Situation of Equity capital and respect of limitations.• List and status of all loans.• Planning for Equity capital for coming year.▪ Brief summary.
Biannually	Financial Service	Committee for managing the temporary usage of Equity capital	Control report: <ul style="list-style-type: none">• Evaluation of loan and reimbursement activity.▪ Suggestion of measures where necessary.
Biannually	Vice-President for Finances	EPFL Direction	Status of Equity capital and temporary usage of Equity capital: <ul style="list-style-type: none">• Development of Equity capital.• Development of loans and reimbursements.• Particular events.▪ Risk management.
Annually	EPFL President	ETH Board	<ul style="list-style-type: none">▪ Information concerning the development of activity in terms of temporary use of Equity capital and projects supported.

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Chapter 6 Entry into force

Article 39 Entry into force

The present rules and regulations enter into force on 14th June 2010, version 1.2 status as at 1st January 2017.

On behalf of the EPFL Direction:

Patrick Aebischer
President

Susan Killias
General Counsel

Comment: this Directive has been reviewed as part of the 2017 reorganisation. No modifications were made to this directive as a result of the review.