



CYPRUS: AN EMERGING EU FUND JURISDICTION

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A comprehensive and modern regulatory framework

UCITS Directive

Regulates UCITS
ManCos and UCITS
Funds

AIFMD

Regulates AIF ManCos
(AIFM)

CY AIF Law

Enactment of the AIF
Law in July 2018
(New AIF Law)

Cyprus was one of the first EU member states to harmonize the complete EU legal framework

- **Modernisation of the collective investment scheme law**
- **Flexible legal framework for AIFs**
- **Best practices for investor protection**

Investment Funds' Growth



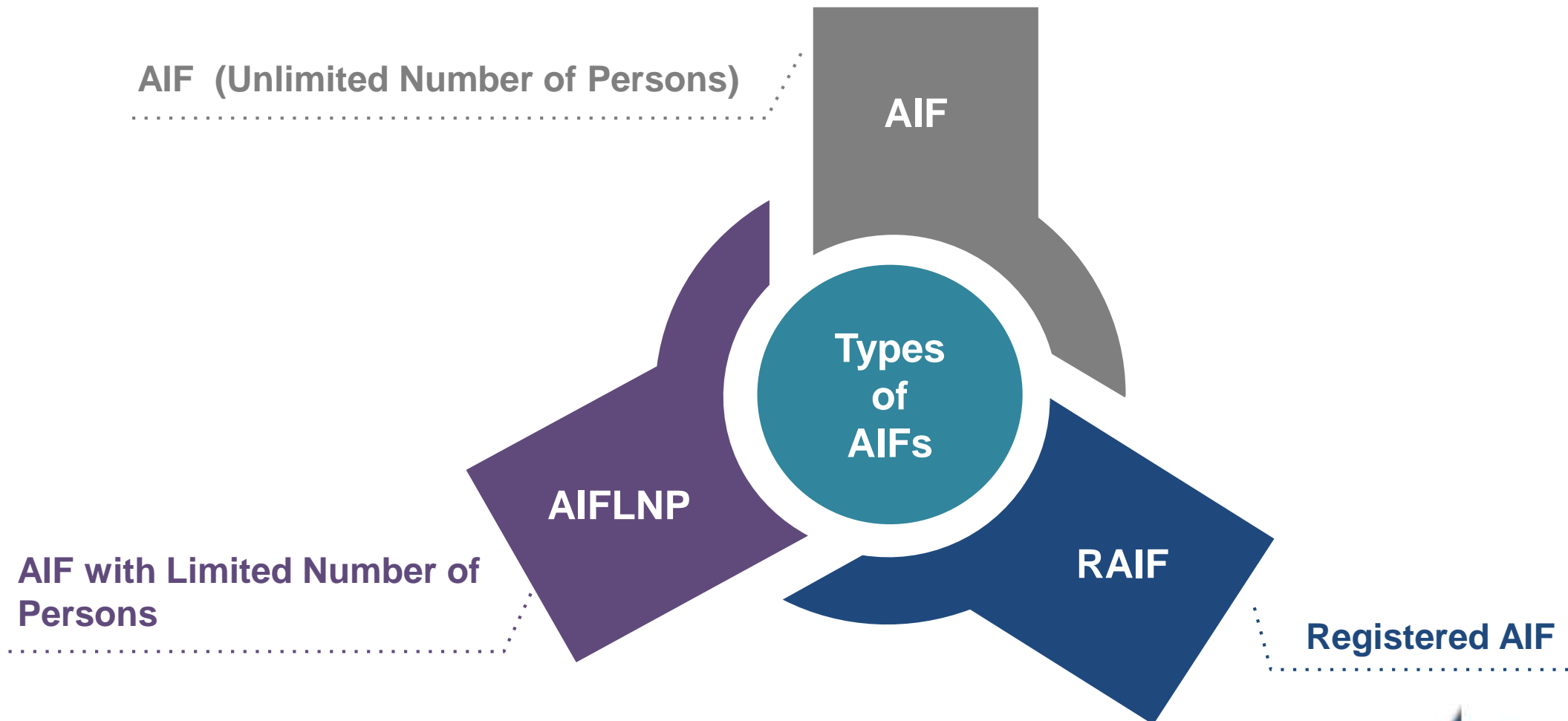
The Cyprus Investment Fund Industry has undergone significant growth in recent years

Total Assets Under Management (AuM) from Cyprus are experiencing remarkable growth during the last 2 years.

Since 2016, the AuM increased by **133%**, from €2.7bn to €6.3bn.

The annual general meeting of EFAMA took place in Cyprus in June 2018, hosted by the Cyprus Investment Funds Association (CIFA), which has been a member of EFAMA since 2016.

Types of Alternative Investment Funds (AIFs)



Key features of AIFs

| | AIF | AIFLNP |
|---|---|---|
| Legal form | <ul style="list-style-type: none"> Common fund, investment company, partnership. | <ul style="list-style-type: none"> Investment company, partnership. |
| Eligible Investors | <ul style="list-style-type: none"> Professional/well-informed or retail investors. | <ul style="list-style-type: none"> Professional/well-informed investors. |
| Number of Investors | <ul style="list-style-type: none"> Unlimited number. | <ul style="list-style-type: none"> Up to 50. |
| Minimum AuM within first 12 months | <ul style="list-style-type: none"> EUR 500,000. | <ul style="list-style-type: none"> EUR 250,000. |
| Fund Management | <ul style="list-style-type: none"> Can be self-managed (in the case of an investment company or a limited partnership with separate legal personality) or appoint a fund manager. | <ul style="list-style-type: none"> Can be self-managed (in the case of an investment company or a limited partnership with separate legal personality) or appoint a fund manager. |
| Minimum Capital Requirement | <ul style="list-style-type: none"> If self-managed: EUR 125,000 or EUR 300,000 if AIFM/AIF If externally managed: N/A | <ul style="list-style-type: none"> If self-managed: EUR 50,000 If externally managed: N/A |
| Assets under management | <ul style="list-style-type: none"> No restriction if AIFM appointed. Up to 100 ml including leverage or 500 ml with no use of leverage and no redemption rights for 5 years if AIFM is not appointed. | <ul style="list-style-type: none"> Up to 100 ml including leverage or 500 ml with no use of leverage and no redemption rights for 5 years. |
| Depositary | <ul style="list-style-type: none"> Mandatory appointment of a local Depositary if managed by an AIFM. Cyprus, EU or in a third country based if AIFM is not appointed. | <ul style="list-style-type: none"> Cyprus, EU or in a third country based. May be waived if one of the following criteria is met: <ul style="list-style-type: none"> - total assets of the Fund < 5ml - up to 5 investors - no more than 10% of total assets are subject to custody and; investors up to 25 and; minimum investment per investor is at least equal to EUR 500,000. |

Key features of AIFs

RAIF

Legal form

- Common fund, investment company, partnership.

Eligible Investors

- Professional/well-informed investors.

Number of Investors

- Unlimited.

Minimum AUM within first 12 months

- EUR 500,000.

Fund Management

- Always appoints a fund manager.

Minimum Capital Requirement

- Not subject to minimum capital requirements.

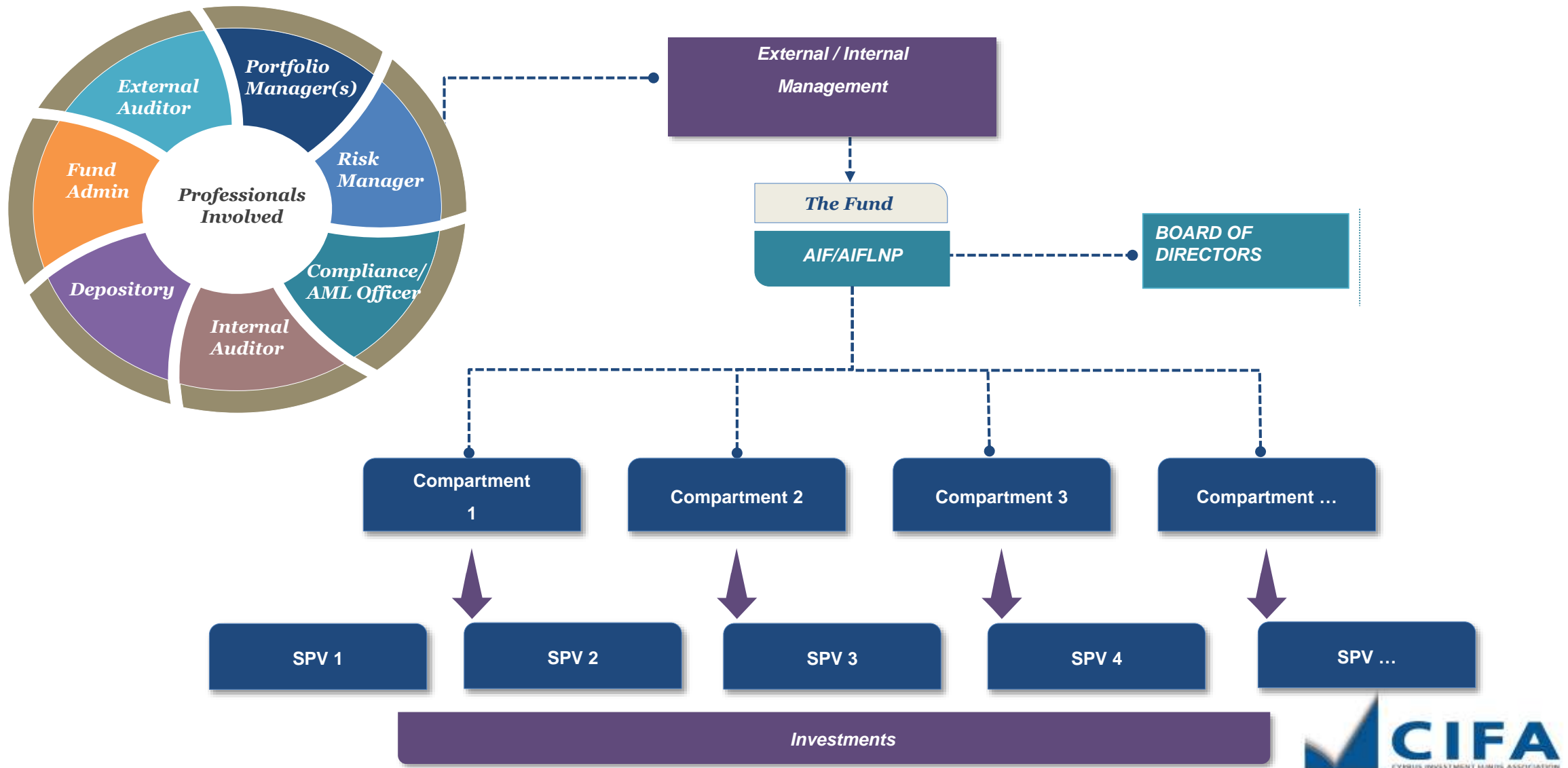
Assets under management

- No restriction if AIFM appointed.
- Up to 100 ml including leverage or 500 ml with no use of leverage and no redemption rights for 5 years if AIFM is not appointed.

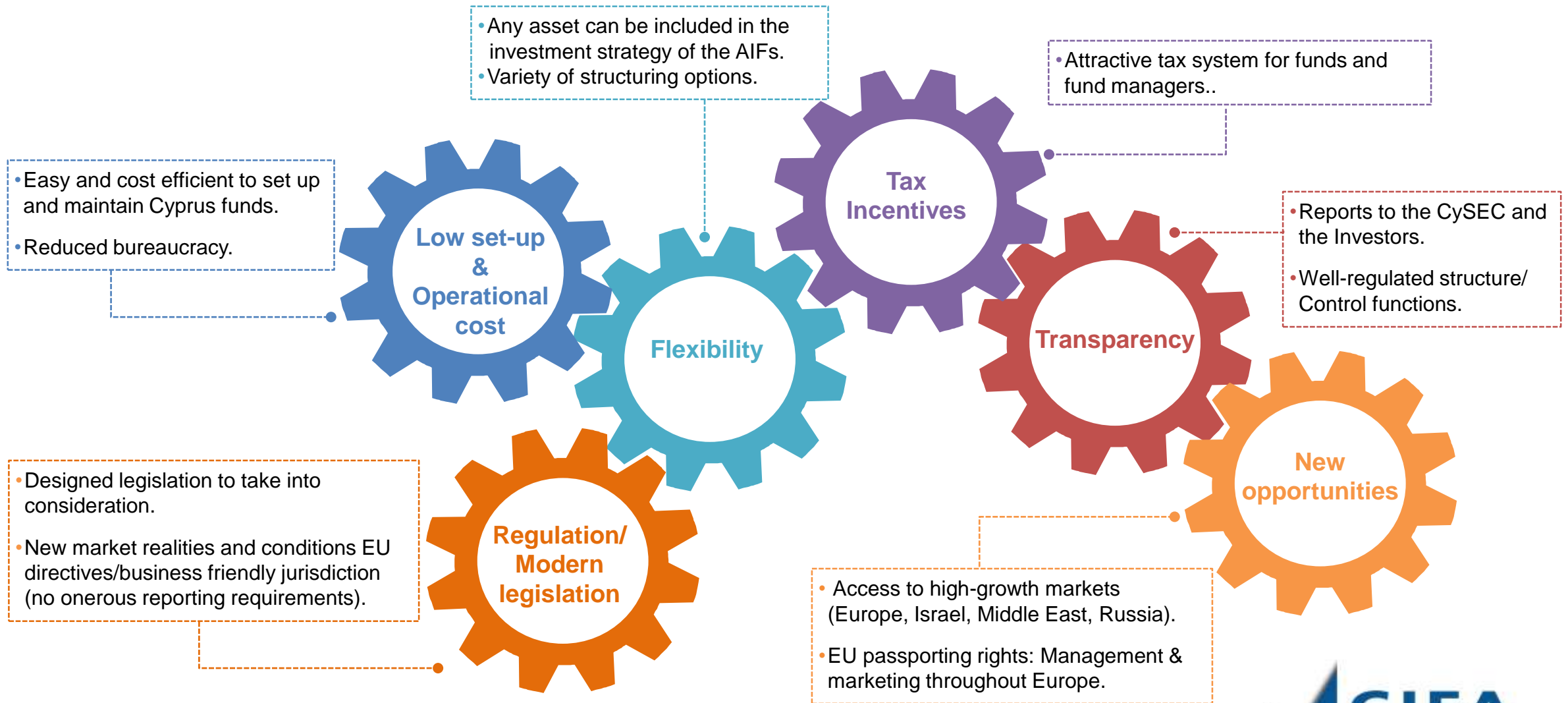
Depositary

- Mandatory appointment of a local Depositary if managed by an AIFM.
- Cyprus, EU or in a third country based if AIFM is not appointed.

Indicative Structure



Key Benefits of Cyprus AIFs



Why consider establishing a Fund Management Company?

What is the primary reason for setting up a Fund Management Company?

- The **capital raising** to finance investment activities in multiple projects and across multiple asset classes.

Why set up a Fund Management Company to achieve this?

- **Regulatory Compliance** requirement when looking to attract capital from investors
- Generates **credibility** and creates **confidence for investors** based on its regulatory framework and obligations as well as supervision by a Regulatory Authority.

What are other important considerations or benefits to the Manager and the investors?

- **For the Manager:** Creating **substance**, Building **track record**, **Tax Benefits** (at entity and individual levels), **economies of scale** for each additional Fund, create a **platform to host** other Managers
- **For investors:** **Access to markets and asset classes with high barriers to entry** (usually due to lack of expertise and much higher ticket sizes). Options for Concentration or **Diversification** using flexible investment strategies.

The legal and regulatory framework for fund managers in Cyprus

May act as delegate of the appointed fund manager, but in the case of Cyprus AIFs may also be appointed as the AIF's manager

AIFMs

The **Alternative Investment Fund Managers Law** of 2013, transposing the Alternative Investment Fund Managers Directive (Directive 2011/61/EU; "AIFMD");

- Registered or Authorised AIFM
- Sub-threshold or "Mini" manager
- Thresholds:
 - Less than EUR100m with leverage, or
 - Less than EUR500m without leverage and 5Y lock-up period

Needs to be approved by the Regulator based on the "fit and proper test".

- If not self-managed, the fund needs to appoint a licensed manager (under national laws transposing AIFMD, UCITSD or MiFID).
- Certain exemptions may apply for AIFs.

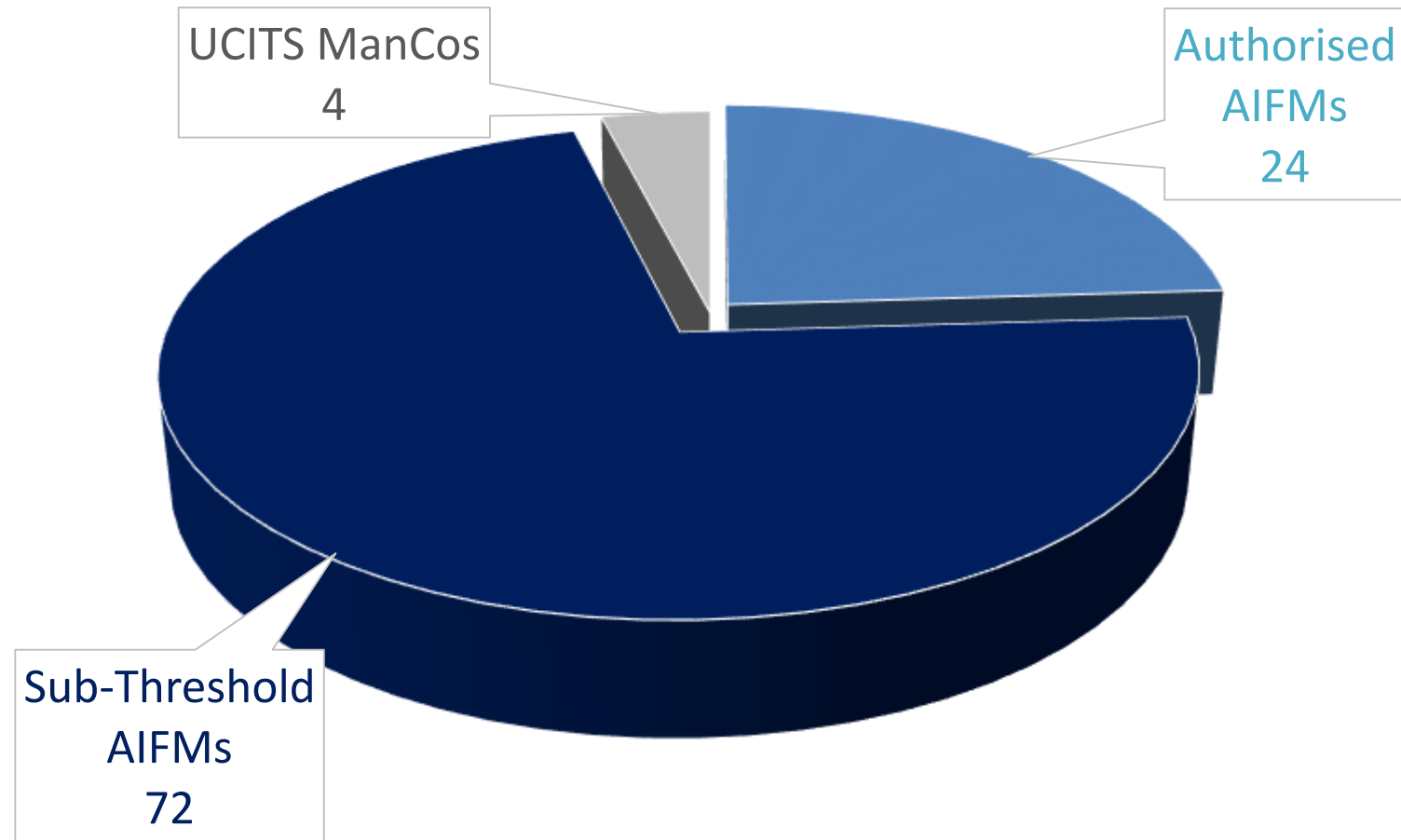
UCITS Management Companies
The **Open-Ended Undertakings for Collective Investment Law** of 2012, transposing the Undertakings for Collective Investment in Transferable Securities Directive (Directive)

May act as delegate of the appointed fund manager, but in the case of UCITS may also be appointed as the UCITS's manager

MiFID licensed firms

Managed accounts under **Investment Services, the exercise of Investment Activities, the Operation Regulated Markets Law** of 2017, transposing the Markets in Financial Instruments Directive (Directive 2014/65/EU; "MiFID II").

Cyprus Fund Managers at a glance



Source: CySEC, Central Bank of Cyprus, 31/12/2018

AIFMs and UCITS Management Companies

| | AIFMs | UCITS Management Companies |
|---|---|--|
| Regulator | - Cyprus Securities and Exchange Commission | - Cyprus Securities and Exchange Commission |
| Applicable Law | - AIFM Law of 2013 transposed from the AIFMD | - UCITS Law of 2012 transposed from the UCITSD IV |
| Eligible managed Funds | - AIFs with unlimited number of investors - RAIFs - UCITS | - UCITS - AIFs with limited number of persons ¹ - AIFs with unlimited number of persons ² - RAIFs ³ |
| Core Functions | - Portfolio Management - Risk Management | - Portfolio Management - Risk Management |
| Additional Functions | - Fund Administration - Marketing - MiFID Services (RTO, Investment Advice, DPM) | - Fund Administration - Marketing - MiFID Services (Investment Advice, DPM) |
| Eligible outsourced Functions*** | - Portfolio or Risk Management so long as at least 50% of Investment Management remains with the manager - Additional Functions | - Portfolio or Risk Management so long as at least 50% of Investment Management remains with the manager - Additional Functions |
| Initial capital and own funds | - EUR125,000 if external manager - EUR300,000 if internally managed AIF - If AUMs ⁴ managed exceed EUR 250 million, additional own funds equal to 0.02% of the AUMs in excess of EUR 250 million subject to a cap of EUR 10 million (initial capital and the additional amount). | - EUR125,000 if external manager - EUR300,000 if internally managed UCITS VCIC - If AUMs ⁴ managed exceed EUR 250 million, additional own funds equal to 0.02% of the AUMs in excess of EUR 250 million subject to a cap of EUR 10 million (initial capital and the additional amount). |

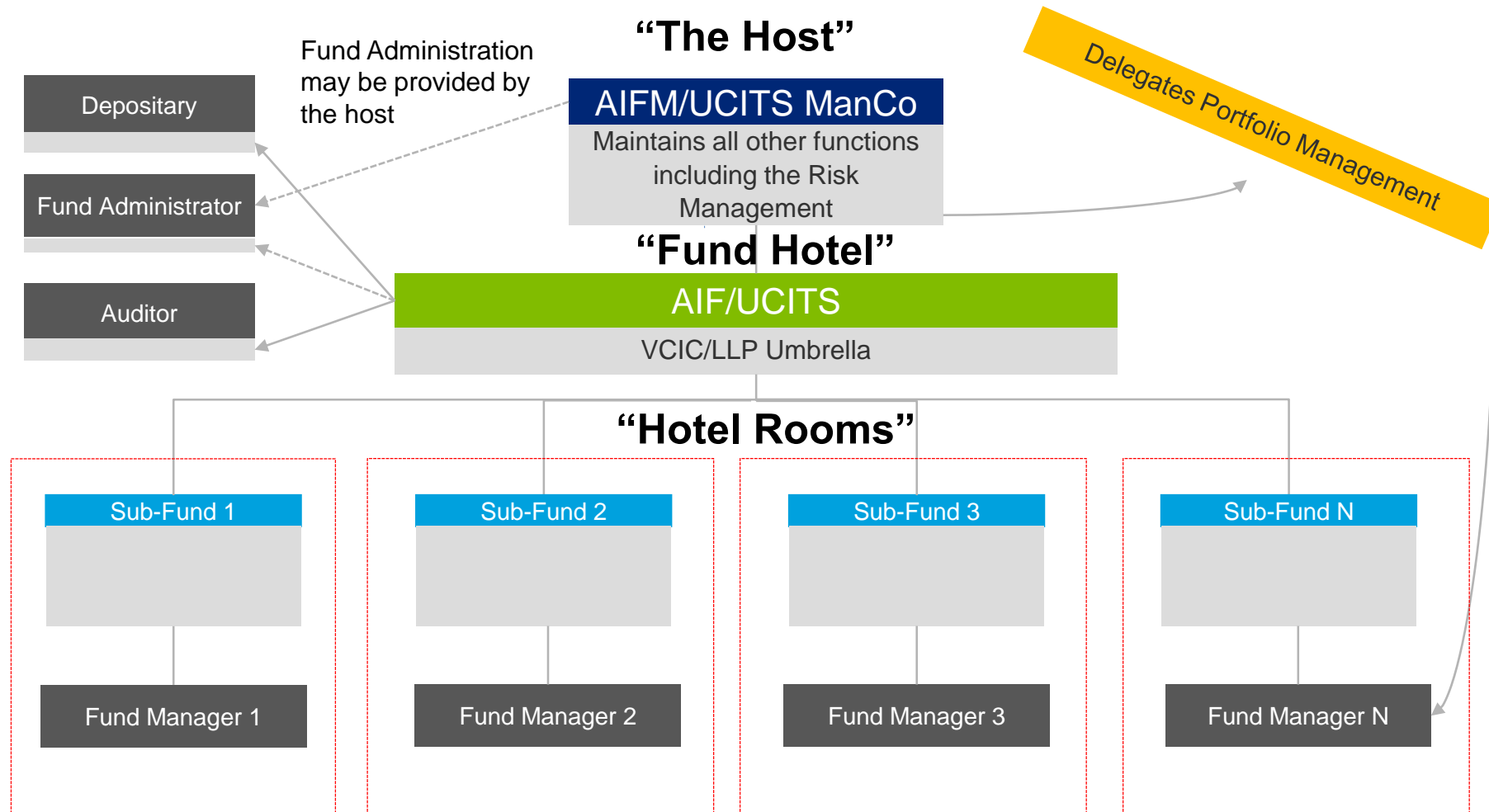
¹A RAIF can be managed by UCITS ManCos only where the RAIF is (i.) structured as limited partnership, and (ii.) is closed-ended, and (iii.) invests in at least of 70% illiquid assets

²AIFMs and UCITS ManCos can manage UCITS and AIFs respectively so long as the majority of their AuMs are in AIFs and UCITS respectively

³The ultimate responsibility remains with the AIFM/UCITS ManCos regardless of delegation

⁴Only includes those AIFs for which the AIFM is the appointed AIFM and excludes assets managed on a delegated basis

Fund Platforms – Cyprus “Fund Hotels”



Cyprus as a European Fund Management Hive

KEY BENEFITS
for considering
Cyprus for Fund
Management

1

Fully harmonized EU legal framework - Gateway to EU and regional markets (Middle East), and preferential access to high-growth markets with which Cyprus has established business ties (Eastern Europe, CIS countries, China)

2

Tax efficiencies through low corporate tax rate and more than 65 Double Tax Treaties. Also significant personal tax advantages for top management and investors

3

Existing fully authorised Fund Hosting platforms, experienced asset servicers and other service providers with significant track record in servicing international clients

4

Commercial, approachable and efficient regulator

5

Significant cost savings - very competitive setup and ongoing service costs

Any questions?



Thank you!