



# CYPRUS: AN EMERGING EU FUND JURISDICTION

**Panikos TEKLOS** | Board Member, Cyprus Investment Funds Association

Partner, Deloitte (Cyprus) Ltd

# A comprehensive and modern regulatory framework

## UCITS Directive

Regulates UCITS  
ManCos and UCITS  
Funds

## AIFMD

Regulates AIF ManCos  
(AIFM)

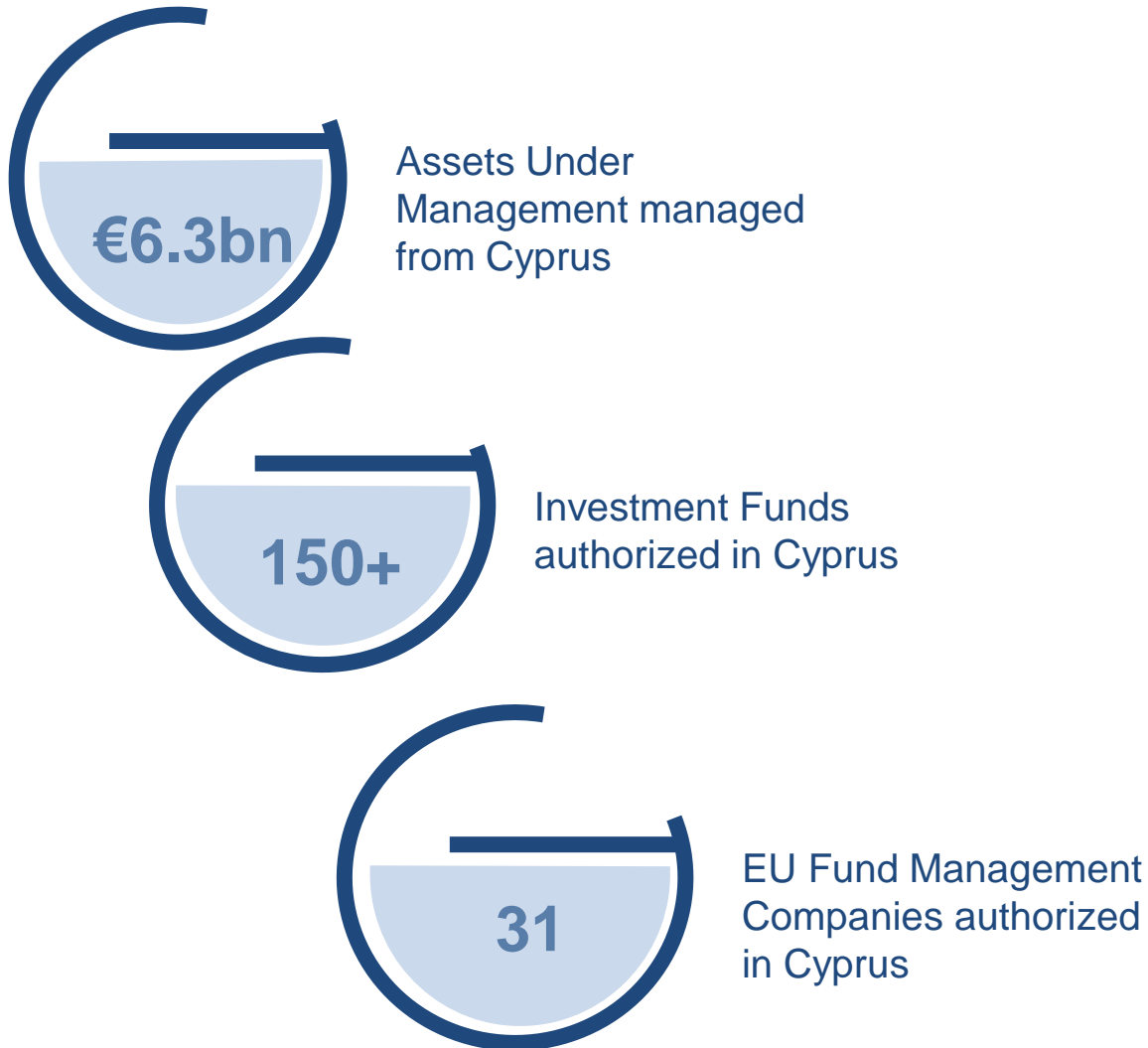
## CY AIF Law

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



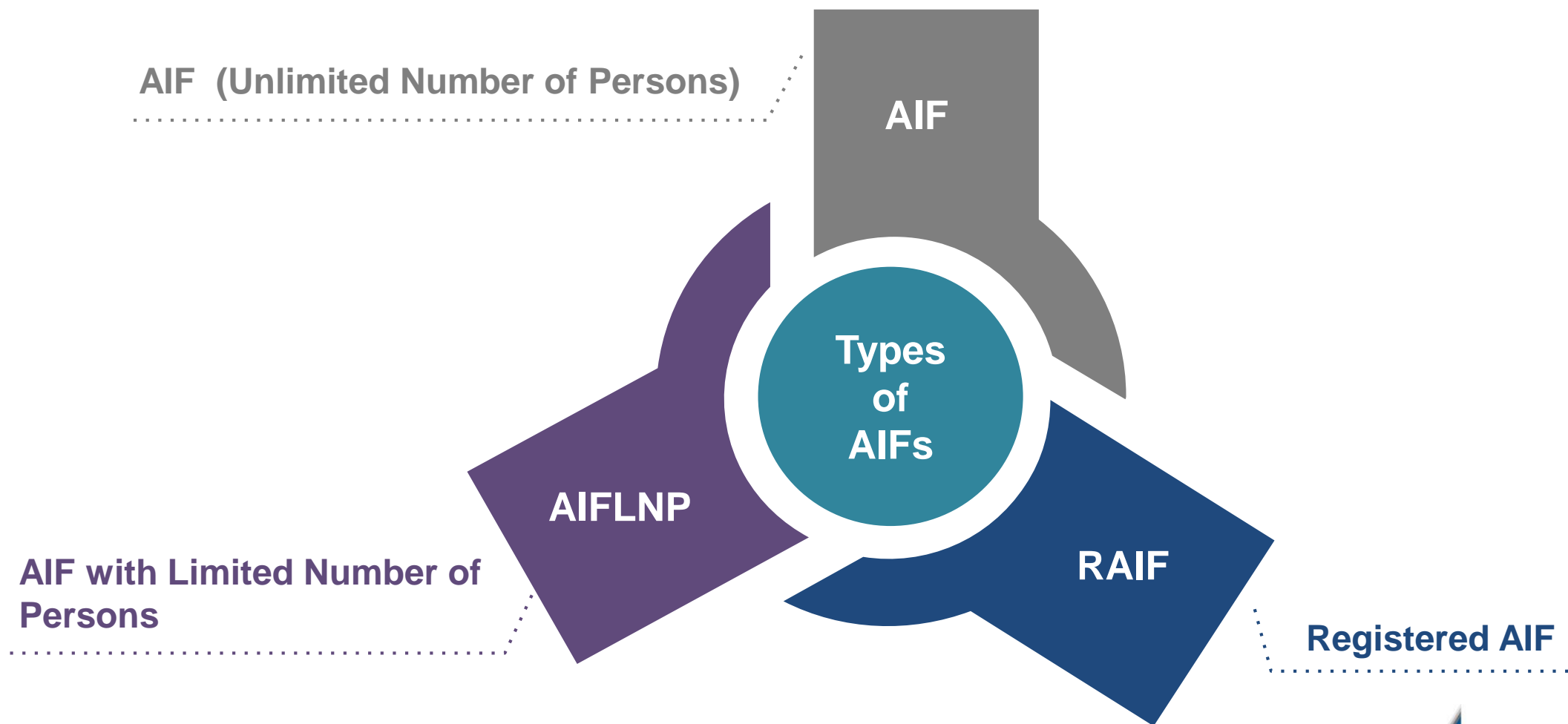
The Cyprus Investment Fund Industry has undergone significant growth in recent years

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

# 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.

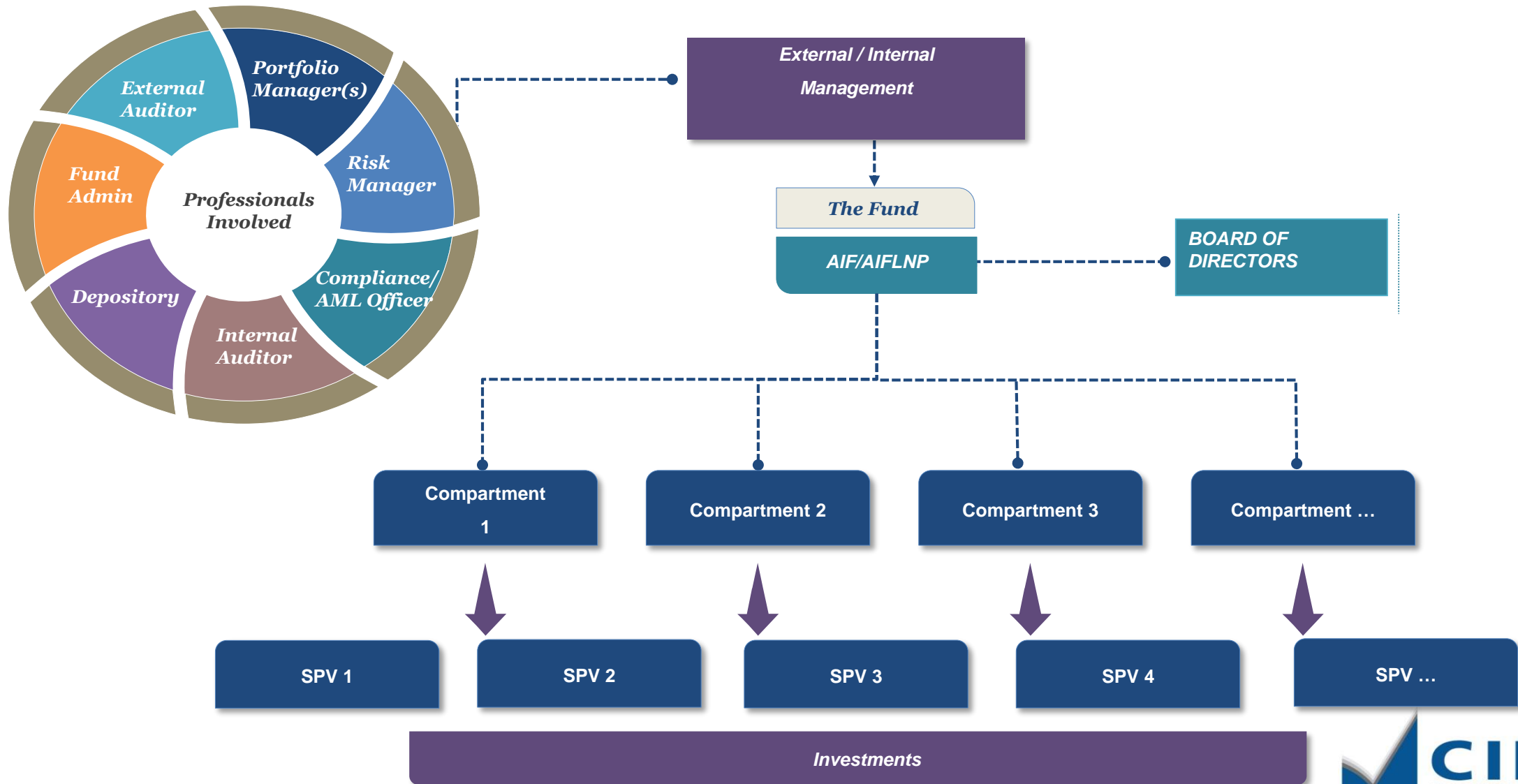
### Assets under management

- 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.

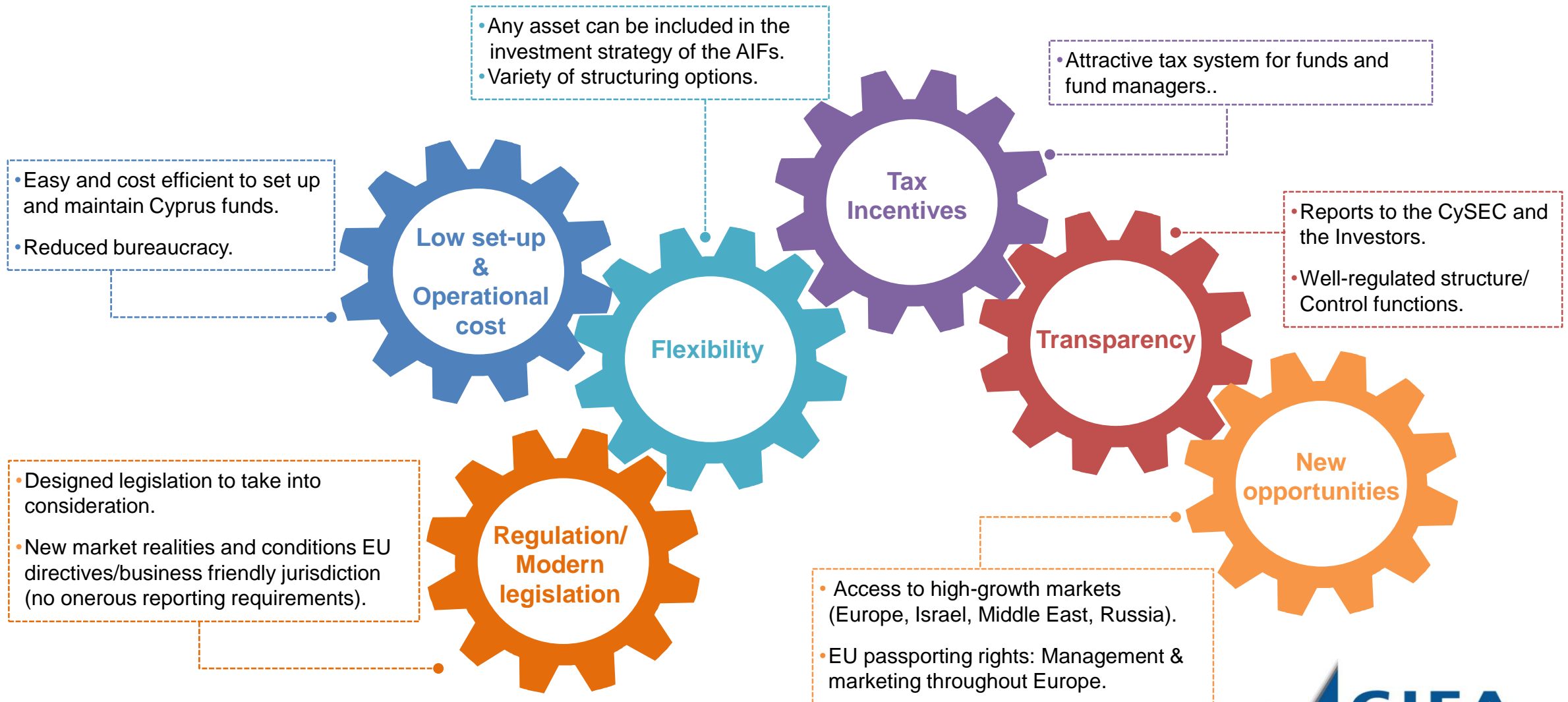
### Depositary

- 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.

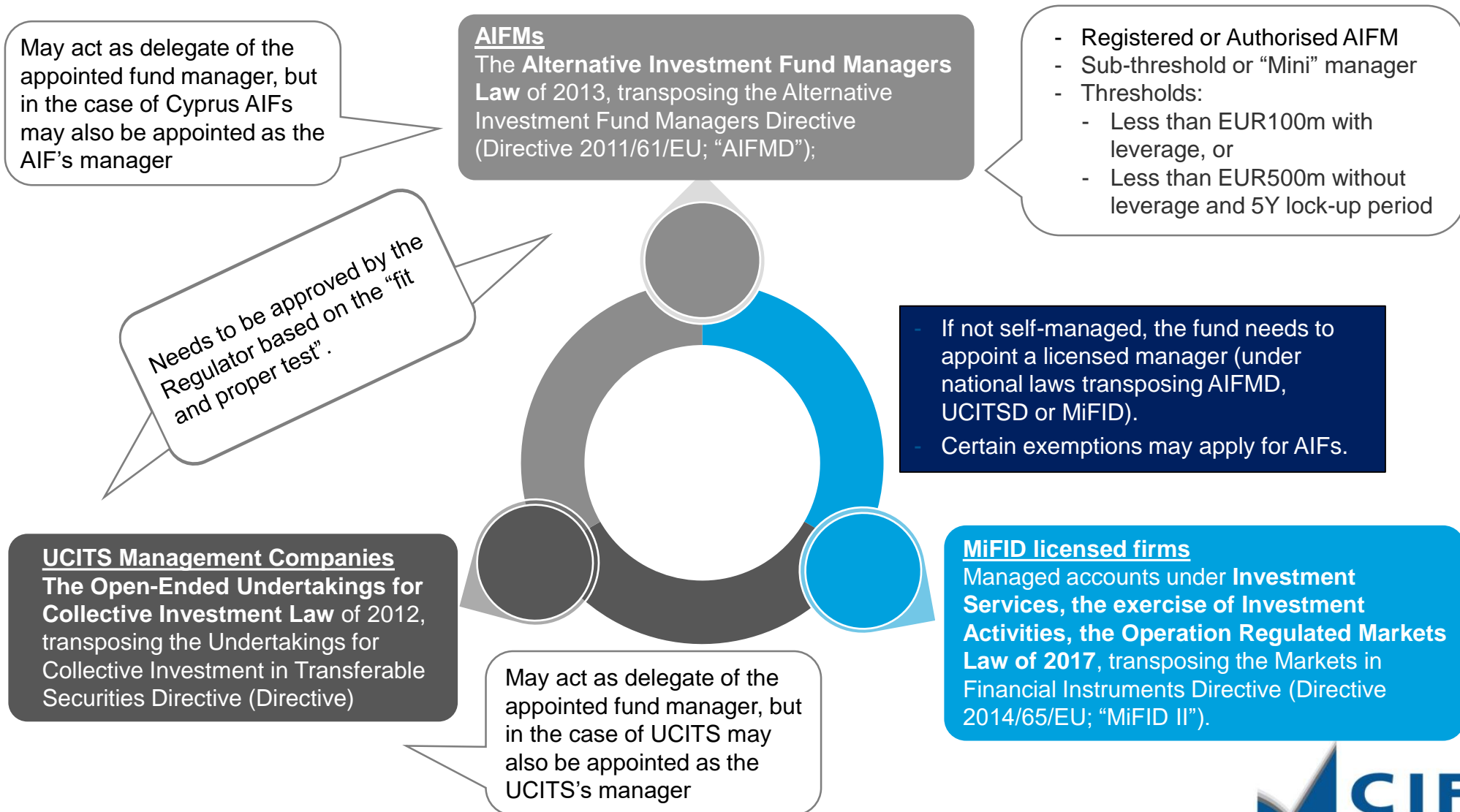
## Why set up a Fund Management Company to achieve this?

- **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.

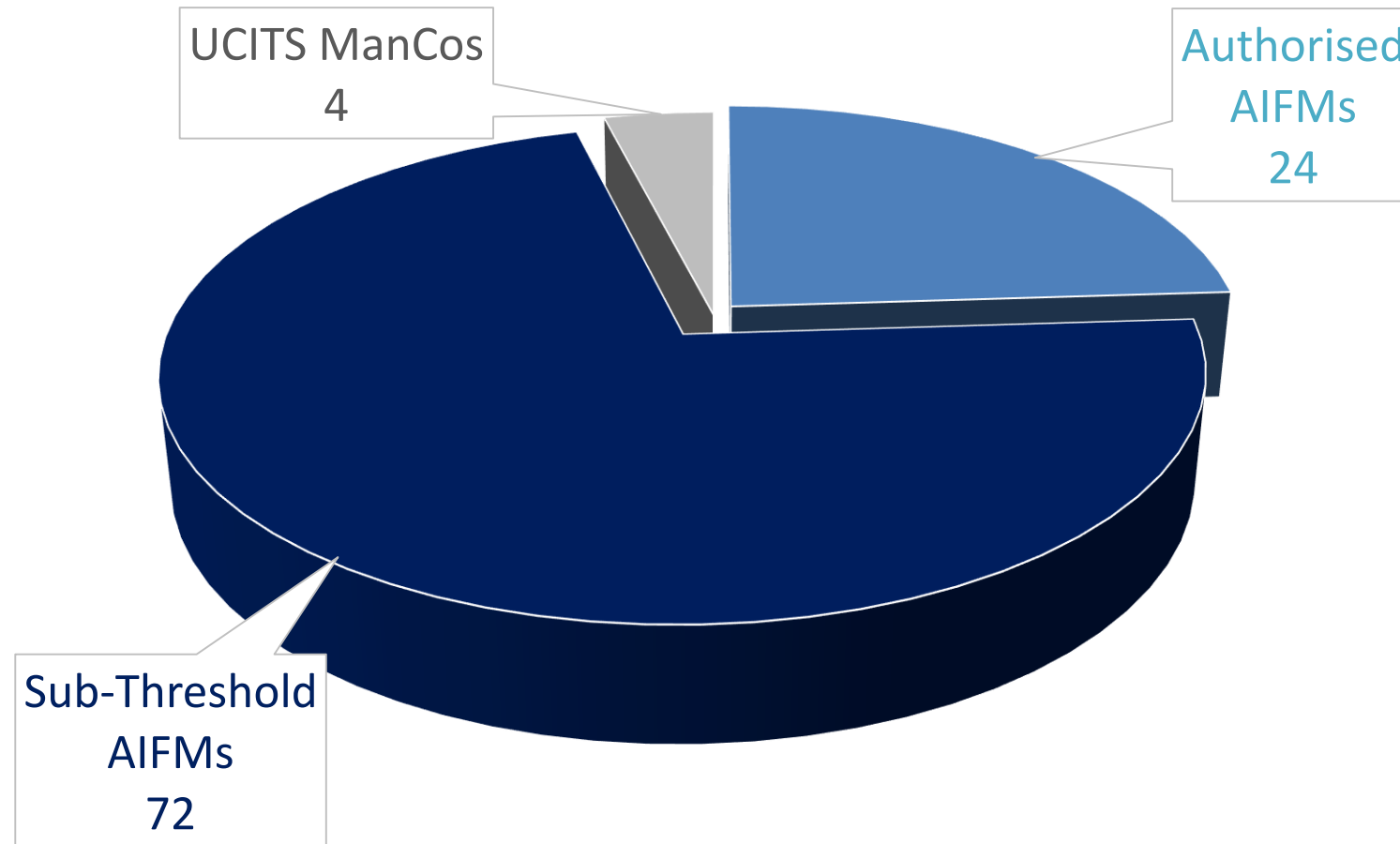
## What are other important considerations or benefits to the Manager and the investors?

- **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



# Cyprus Fund Managers at a glance



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

# AIFMs and UCITS Management Companies

	AIFMs	UCITS Management Companies
<b>Regulator</b>	- Cyprus Securities and Exchange Commission	- Cyprus Securities and Exchange Commission
<b>Applicable Law</b>	- AIFM Law of 2013 transposed from the AIFMD	- UCITS Law of 2012 transposed from the UCITSD IV
<b>Eligible managed Funds</b>	- AIFs with unlimited number of investors - RAIFs - UCITS	- UCITS - AIFs with limited number of persons <sup>1</sup> - AIFs with unlimited number of persons <sup>2</sup> - RAIFs <sup>3</sup>
<b>Core Functions</b>	- Portfolio Management - Risk Management	- Portfolio Management - Risk Management
<b>Additional Functions</b>	- Fund Administration - Marketing - MiFID Services (RTO, Investment Advice, DPM)	- Fund Administration - Marketing - MiFID Services (Investment Advice, DPM)
<b>Eligible outsourced Functions***</b>	- 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
<b>Initial capital and own funds</b>	- EUR125,000 if external manager - EUR300,000 if internally managed AIF - If AUMs <sup>4</sup> 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 <sup>4</sup> 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).

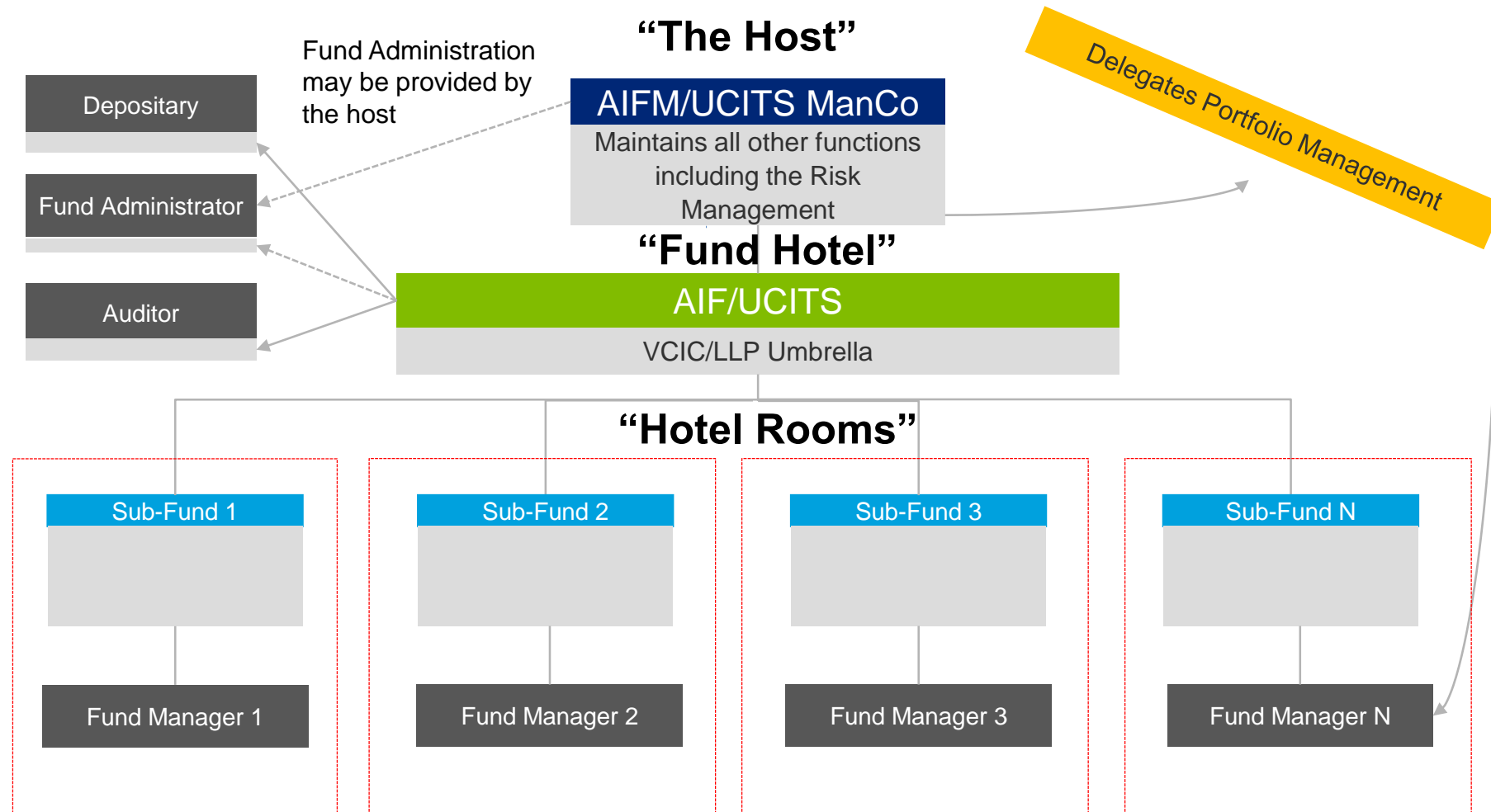
<sup>1</sup>A RAIF can be managed by UCITS ManCos only where the RAIF is (i.) structured as limited partnership, and (ii.) is closed-ended, and (iii.) invests in at least of 70% illiquid assets

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

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

<sup>4</sup>Only 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!