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investment funds

cyprus

COUNTRY

overview

Capitalising on its competitive advantages, continuously improving the business climate and competitiveness, as well as ensuring a stable economic environment, Cyprus aims at further diversifying its economy by driving new sectors with high potential.

These include sectors such as **energy**, **start-ups** and **innovation** and **investment funds**, while also further sharpening its edge in areas in which it has traditionally excelled, such as **tourism**, **shipping**, and **real estate**.

The country is also continuously **enhancing its regulatory framework**, processes and infrastructure to ensure it remains efficient and ahead of the game in today's fast-paced environment.

These efforts underline its commitment to offer a high quality and unique value proposition for investors and businesses worldwide. Cyprus is a business friendly jurisdiction, with a highly skilled and multilingual workforce, where doing business is simple and efficient and quality of life is high - the ideal conditions for international businesses to invest, prosper and grow.



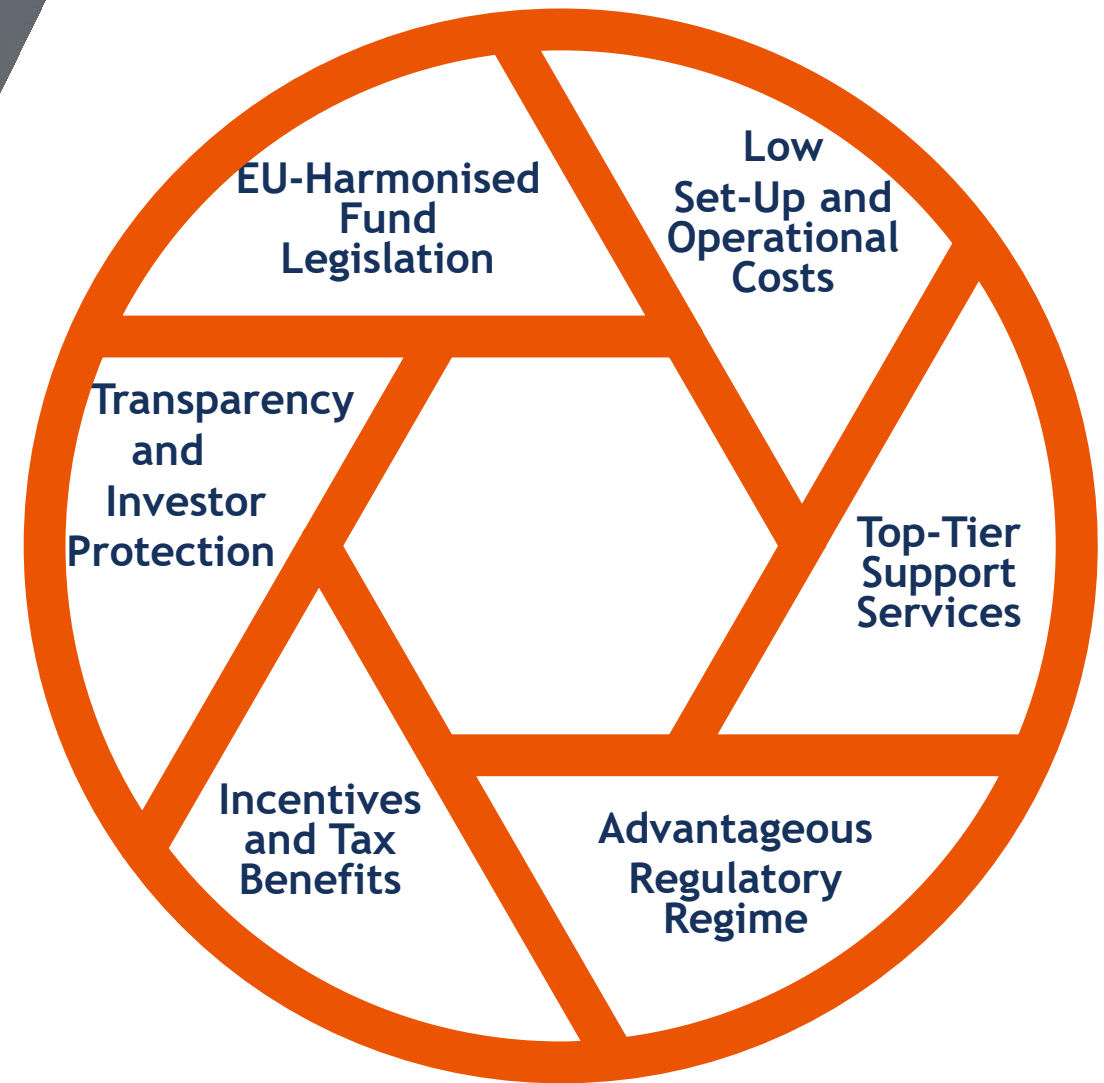
Funds Domicile at a Glance

Cyprus has emerged as a key regional domicile within the EU thanks to its growing fund cluster with an ever-increasing number of funds and asset managers locating to the island. As one of the first EU member states to transpose the Alternative Investment Fund Managers Directive into national legislation.

Cyprus offers an effective legislative framework for all types of investment funds. In addition to its geostrategic location and excellent market access, a key advantage that Cyprus has over competing jurisdictions is its cost-effective and comprehensive package of investment fund services, ranging from licensing to ongoing administration. In addition, the seamless collaboration between the competent authorities and service providers allows for fast execution with procedures designed to speed up time to market. The steady growth in both assets and in the number of fund structures licensed and active in Cyprus have underlined the strength and appeal of the domicile. As an EU member country, Cyprus is compliant with all EU Directives and Regulations providing fund managers the opportunity to take advantage of the full spectrum of EU passporting rights.

6 KEY BENEFITS OF CYPRUS FUNDS

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Cyprus is ideal for:

- Regional Players
- Larger Entities Looking to Diversify
- Alternative Funds
- Start-Up Funds

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Key Partners

The Association:

**CYPRUS INVESTMENT FUNDS
ASSOCIATION (CIFA)**



Cyprus Investment Funds Association (CIFA) is the collective voice and the reference point for all professionals and legal entities engaged in or offering services in the investment funds industry in Cyprus. Its focus is on enhancing the level of sophistication of the industry and addressing the broad range of needs and issues faced by service providers and businesses involved in the sector. The mission of CIFA is to help its members capitalise on industry trends, to shape regulation, increase professionalism, integrity, and quality, and promote the Cyprus funds industry.

www.cifacyprus.org

FULL MEMBER OF:



ASSOCIATE MEMBER OF:



MOU WITH:



The Regulator:

**THE CYPRUS SECURITIES AND
EXCHANGE
COMMISSION (CYSEC)**



The Cyprus Securities and Exchange Commission (CySEC) is the independent public supervisory authority responsible for the overall supervision of the investment services market, the transactions in transferable securities carried out in the Republic of Cyprus and the collective investment and asset management sector. It also supervises the firms offering administrative services which do not fall under the supervision of the Institute of Certified Public Accountants of Cyprus (ICPAC) and the Cyprus Bar Association. The mission of CySEC is to exercise effective supervision to ensure investor protection and the healthy development of the financial industry under its supervision. www.cysec.gov.cy

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Regulated Structures

AIFs

Registered AIF (RAIF)

Alternative Investment Fund with
Limited Number of Persons (AIFLNP)

Alternative Investment Fund with
Unlimited Number of Persons (AIFUNP)

UCITS

Undertakings for
Collective
Investment in
Transferable Securities
(UCITS)

**Management
Companies**

AIF Managers

UCITS Managers

Mini Managers (Mini Alternative
Investment Fund Managers)



Alternative Investment Funds (AIFs)

Following on-going efforts to modernise its fund framework, Cyprus introduced a new law offering more investment structuring possibilities and upgraded rules for the authorisation, on-going operations, transparency requirements and supervision of Cyprus AIFs, as well as the regulation on the role and responsibilities of their directors, depositaries, and external managers. AIFs that are established under domestic Cyprus fund legislation can be sold on a private placement basis or marketed to professional investors across the EU under the Alternative Investment Fund Managers Directive (AIFMD) passport. Cyprus further upgraded its legislative framework in 2018 reflecting the latest market demands by introducing a product called the Registered Alternative Investment Fund (RAIF) which offers new opportunities for a quick and cost-effective fund launch.

Key Benefits of Cyprus AIFs

- Cost-efficient and simple to set-up, manage and operate
- Modern regulatory framework fully in line with relevant EU directives
- Increased flexibility as a number of asset classes can be included in an AIF investment strategy
- Significant tax incentives offered by the country's advantageous tax framework
- Full transparency through annual audited reports to CySEC and investors, which include financial statements, borrowing information, portfolio information and Net Asset Value
- Supervised by a competent and accessible regulatory authority

Key Benefits of a Registered Alternative Investment Fund (RAIF)

- No licensing required
- No minimum capital requirements
- No investment restrictions
- Multiple compartments possible
- Can operate as open or closed-ended
- Units of RAIFs may be listed
- Requirement to appoint local depository
- Addressed solely to Well-Informed and/or Professional Investors

AIFS AT GLANCE

	AIF with Limited Number of Persons (AIFLNP)	AIF with Unlimited Number of Persons (AIFUNP)	Registered AIF (RAIF)
Regulatory Authority	CySEC	CySEC	CySEC - however no licensing required
Limitation on number of Investors	50 (with look through provisions)	Not applicable	Not applicable
Available Structures*	Variable Capital Investment Company (VCIC), Fixed Capital Investment Company (FCIC), Limited Partnership (LP)	Variable Capital Investment Company (VCIC), Fixed Capital Investment Company (FCIC), Common Fund (CF), Limited Partnership (LP)	Variable Capital Investment Company (VCIC), Fixed Capital Investment Company (FCIC), Common Fund (CF), Limited Partnership (LP)
Umbrella Funds	Possible for all structures	Possible for all structures	Possible for all structures
Minimum Share Capital	Internally managed funds only €50,000	Internally managed funds only €125,000	As always externally managed it does not require minimum share capital
External Manager Licensing Requirement	No, can be internally managed	No, can be internally managed	Yes, always externally managed
Director Requirements	Fit and Proper	Fit and Proper	Fit and Proper
Depositary Requirements	Based in Cyprus, EU or third country that has cooperation agreement with Cyprus; exemption in specific circumstances	Based in Cyprus, EU or third country that has cooperation agreement with Cyprus. When managed by AIFM shall be located in Cyprus	Always based in Cyprus, except for Limited Partnerships managed by a MiFID entity
Reporting **	Audited annual report and half-yearly unaudited report to be submitted to CySEC and made available to unitholders	Audited annual report and half-yearly unaudited report to be submitted to CySEC and made available to unitholders	Audited annual report and half-yearly unaudited report to be submitted to CySEC and made available to unitholders

* Amendments to the current Partnership Law will allow the General Partner to elect for legal personality of the Limited Partnership upon its establishment

** Additional reporting requirements apply for AIFs with unlimited number of persons which are subject to the AIFM Law and for Registered AIFs, the scope and frequency of which depend among others in the type of AIF managed by the AIFM and the level of AuM

Undertakings for Collective Investment in Transferable Securities (UCITS)

UCITS are collective investment schemes, principally designed for retail investors, established and authorised under the harmonised EU framework. They are internationally regarded as one of the most effective asset management tools available, thanks to their strong regulation resulting in high levels of investor protection.

Eligible Asset Categories for a UCITS

- Transferable Securities (TSs)
- Money Market Instruments (MMIs)
- Open-ended collective investment schemes
- Deposits with eligible credit institutions
- Financial derivative instruments

Key Benefits of Cyprus UCITS

- Full EU passporting rights
- Cost-efficient to set up and operate
- Low investment risk and highly efficient asset management tool
- Robust legislative framework to protect and promote investor interests
- Possibility to set up umbrella funds, allowing different sub-funds and share classes
- Investments are fully transparent and easy to monitor through publication of Net Asset Value (NAV)
- Investors are entitled to repurchase or redeem their units from UCITS assets
- Highly skilled pool of professionals in Cyprus
- Supervised by a competent and accessible regulatory authority



UCITS AT A GLANCE

Available structures	Variable Capital Investment Company (VCIC), Common Fund (CF)
Share Capital Requirements	Third-party Managed €200,000 or €300,000 if self-managed. These requirements apply to each investment compartment when the UCITS is established as an umbrella fund
Minimum Subscription Amount by Investors	Not Applicable
Leverage	Stringent rules on EU Directive level regarding use and exposure to leverage
Valuation Frequency	At least every fortnight on the first business day
Redemption Possibility	At the request of the investor on the immediately next redemption day following submission of the redemption request. Defined redemption settlement periods of no more than four business days
Reporting Requirements	Un-audited report every six months and audited annual report
Other	Possibility of investment compartments, with full segregation and cross-investment allowed. Reduced risk exposure in light of statutory leverage limits, diversification parameters, transparency and risk management requirements

An aerial photograph of a city, likely Nicosia, Cyprus, featuring a prominent modern skyscraper with a curved facade and a glass top. The surrounding area is filled with residential and commercial buildings, streets, and green spaces.

Management Companies

AIF MANAGERS:

The Alternative Investment Fund Managers Directive (AIFMD 2011/61/EU), entered into force on 21st July 2011, with the aim of providing for an internal market for Alternative Investment Fund Managers (AIFMs) and a harmonised regulatory and supervisory framework for the activities within the EU of all AIFMs. The key objectives were to reduce systemic risk and enhance investor protection, with the corresponding benefit for AIFMs being a pan-European 'passport' to provide management services and distribute funds across the EU.

UCITS MANAGERS:

UCITS management companies in Cyprus are a limited company by shares, which has its registered office and central administration within the territory of the Republic of Cyprus and its main objective is the management of one or more UCITS. Prior authorisation by CySEC is required in order to start business. Such authorisation, which is granted as an operation licence, is valid in all member states of the European Union. The management company does not exercise activities other than the management of UCITS, apart from the additional management of other collective investment undertakings following an authorisation by CySEC.

MINI MANAGERS (MINI ALTERNATIVE INVESTMENT FUND MANAGERS):

Cyprus finalised a regime dubbed the Mini Manager in June 2020, which governs a new type of fund manager and allows for the provision of fund management services to funds under the AIFMD thresholds. Mini Managers are allowed to manage AIFs whose assets do not exceed the threshold of €100 million, with the use of leverage, or €500 million when unleveraged with a lock up of five years. This regime will appeal to fund managers who need a cost-effective vehicle that will undertake limited investment or to those fund managers who may wish to use it as a first step before committing to a more complex set up.



Tax Benefits

Cyprus offers one of the most competitive tax regimes in Europe and has an extensive network of double taxation treaties (DTTs) with 68 countries.

A member state of the European Union since 2004 and of the Eurozone since 2008, the country's regulatory regime is in full compliance with EU tax directives. Cyprus was also an early adopter of the OECD Common Reporting Standard (CRS), which calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis, as well as being FATCA-compliant. This coupled with one of the lowest corporate tax rates in the EU at 12.5% and increasing number of incentives for investment funds, places Cyprus high on the list of preferred jurisdictions for fund managers and management companies.

Investor & Fund Taxation

FOREIGN INVESTORS

- No withholding tax on dividends (if foreign investor not organised in an EU black-listed jurisdiction)
- No taxation on redemption of units
- No tax on gains from the disposal of fund units
- No deemed distribution restrictions or taxes
- No General Health Contribution on receipts

RESIDENT INVESTORS - DOMICILED

- Option of 8% flat rate taxation on performance based variable remuneration for certain employees
- A withholding tax on dividends of 17% if the investor is an individual who is both tax resident and domiciled in Cyprus
- General Health Contribution on receipts (2.65%) if the investor is an individual who is tax resident in Cyprus
- No taxation on redemption of units
- No withholding tax if investor is a company
- No tax on gains from the disposal of fund units
- No deemed distribution restrictions or taxes

RESIDENT INVESTORS - NON-DOMICILED

- Option of 8% flat rate taxation on performance based variable remuneration for certain employees
- Exemption from withholding tax on dividends of 17%
- General Health Contribution on receipts (2.65%) if the investor is an individual who is tax resident in Cyprus
- No taxation on redemption of units
- No withholding tax if investor is a company
- No tax on gains from the disposal of fund units
- No deemed distribution restrictions or taxes

FUND TAXATION

- Gains from trading in securities are tax exempt
- Notional Interest Deduction (NID) for new equity may reduce taxable base for interest received by up to 80% (for company-type funds) reducing the effective tax on interest to 2.5%
- Excluded from tax are dividends received, capital gains arising from sale of property abroad, capital gains from sale of shares of foreign property companies
- No subscription tax on the net assets of the fund
- Fund management services provided to alternative funds are not subject to VAT
- Each compartment of an AIF, although legally is not treated as a separate entity, for tax purposes each compartment is treated as a separate person/taxpayer

what we can do for you

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about vertu

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Vertu Projects Ltd is a CySEC-regulated firm with over 20 years of experience serving a global client base, including leading fund managers, private equity groups and SMEs.

Our core services include:

- Fund Administration (full scope, from setup to ongoing management)
- Registration & administration of Cyprus companies (holding & operational)
- Relocation and re-domiciliation advisory and guidance
- Nominee directorship, company secretary & registered office
- CFO, Accounting, VAT, and Payroll services
- International Tax Structuring and advisory
- Transfer Pricing studies based on OECD guidelines
- Equity & Debt fundraising

Disclaimer

The information available in this guide intends to provide a general introduction to the business environment in Cyprus, and every reasonable effort is being made to ensure its accuracy and timely amendment. In no circumstances shall Vertu be legally bound as a result of any information contained in this guide.