



Investment Funds
& Asset Management Guide

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Cyprus at a glance

Cyprus is fast becoming one of the top emerging investment fund centres in Europe in light of its continuous efforts to upgrade its legislative and regulatory regime which is backed up by its strong network of financial and professional service providers.

Determined to stay at the forefront of industry developments and offering unique access to high-growth markets as well as a professional and cost-efficient jurisdiction for Investment Funds, Cyprus has developed into a key regional domicile for setting up Alternative Investment Funds (AIFs) and Undertakings for the Collective Investments in Transferable Securities (UCITS) and establishing asset management companies for pan-European reach. The country's population is one of the most highly educated within the EU, and the expertise of its service providers has established Cyprus as a location of choice for international fund promoters and investors seeking secure and advantageous fund solutions.



Key Benefits of a Cypriot Fund

Flexibility

- Any asset can be included in the investment strategy of the AIF
- No investment restrictions for AIFLNP
- Umbrella Structure available
- Different Legal Forms

Transparency and Protection

- Obligatory reports to Investors and the Cyprus Securities and Exchange Commission (CySEC), Control Functions, Depository and Administrator

Tax incentives for the Fund, the fund manager and the Investors (see section below)

- 12.5% Corporation Tax
- Notional Interest Deduction
- More than 60 Double Tax Treaties
- Tax incentives for senior officers of Fund Management companies relocating to Cyprus

Low set-up and operations costs

- Easy and cost efficient to set up and maintain Cyprus Funds

Fully harmonized and modern Fund Legislation

- EU Passport offering fund managers cross-border fund distribution, attracting both EU and non-EU firms keen to establish themselves as EU-complaint managers and to access EU investors.
- Access to MiFID services
- Harmonization with EU AML standards

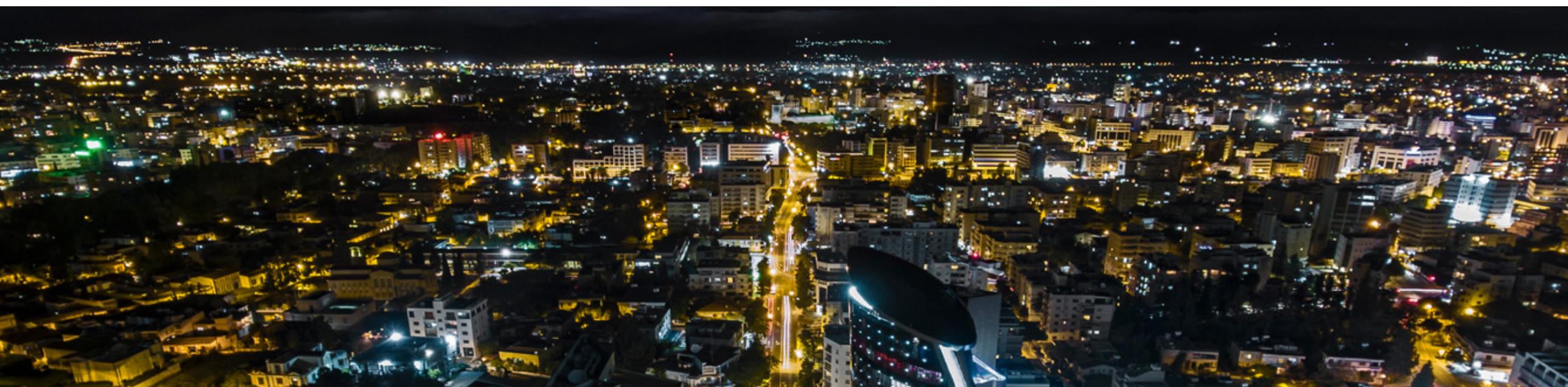
Quality of Support

- Local as well as international expertise of Fund Administrators, Accounting firms and Law offices.

Parties that can benefit from the creation of a Fund

- High net worth individuals seeking to achieve asset protection
- Set up of a Family office under a fund structure to manage the assets within the family
- Venture Capitalists whose investments require extra funds to be raised for their strategic goal to be implemented
- Funds can act as a substitute to bank financing, as funds through capital raised from private and institutional investors, can contribute to long-term projects in development of infrastructure, healthcare and education.





Tax benefits

For the Fund

- No Subscription tax on the net assets of the AIF
- Exemption from tax on capital gains from sale of corporate titles and other financial instruments
- Capital gains from the sale of immovable property situated outside Cyprus is tax exempt
- Low corporate tax of 12.5% (Possibility to reduce to 2.5% due to Notional Interest Deduction) on any other income
- More than 60 Double Tax Treaties
- Excluded from tax are dividends received
- Effectively only interest received is taxed at 12.5%
- According to the law, each compartment of an AIF or UCITS should be treated as a separate taxpayer.

For the Foreign Investors

- No withholding tax on income repatriation or dividends paid to foreign unitholders
- No tax on redemption of share/unit by the holders
- No capital gains tax on disposal of shares/units by the holders (Assuming no Cyprus real estate asset).

For the Fund Manager

Taxation of carried interest / performance fee for AIF and UCITS Fund managers

Certain employees and executives of Investment Fund management companies or internally managed Investment Funds may opt for a new mode of personal taxation. Subject to conditions, their variable employment remuneration which is effectively connected to the carried interest of the Fund managing entity may be subject to Cyprus tax at the flat rate of 8%, with a minimum tax liability of €10,000 per annum. The new mode of taxation is available for a period of 10 years in total, subject to the annual election of the individual. The new provisions aim to enhance the already competitive Cyprus tax framework for Fund managers.

1 Exemption for expatriates with annual remuneration above €100,000
50% of an individual's gross emoluments are allowed to be deducted from taxable income for individuals who were not tax residents of Cyprus prior to the commencement of their employment in Cyprus. This deduction applies when income exceeds €100,000 per annum and is allowed for a period of ten (10) years, commencing from the date of employment.

2 Exemption for expatriates with annual remuneration below €100,000
20% of the remuneration with a maximum amount of €8,550 annually is tax exempt for individuals who were not resident in Cyprus before the commencement of their employment. The exemption applies for a period of 5 years starting from the tax year following the year of commencement of employment in Cyprus with the last eligible tax year being 2020.

This exemption may not be claimed in addition to the exemption mentioned in the section above (exemption for expatriates with annual remuneration above €100,000).

Investment Funds Types

Undertakings for the Collective Investments in Transferable Securities (UCITS)

- European branded fund product
 - May operate throughout the EU on the basis of a single authorisation from one member stated, provided that it follows certain notification procedures
 - May be listed on a regulated market
 - Possibility to set up umbrella funds, allowing different sub-funds with each one constituting a separate pool of segregated assets not subject to “cross-class liability”
- The UCITS Fund constitutes a single legal entity and each sub-fund has its own separate Net Asset Value (NAV) calculation. Each investment compartment may be dissolved or liquidated separately without affecting the operations of the others.

UCITS Key features

UCITS Key features	
Addressed to:	Retail or Professional/Well-informed investors
Legal Form	Variable Capital Investment Company (VCIC) or Common Fund (CF)
Flexibility	Open ended only
Share Capital Requirements	Minimum capital €125,000 Possibility for third party managed Funds as well as self managed Funds.
Investment Restrictions	A UCITS must operate on a principle of risk spreading and as a consequence a UCITS must be properly diversified. There are many individual limits around the areas of asset eligibility and concentration. This provides high degree of investor protection due to the strict diversification rules as permissible investments are limited to Tradable Securities and readily liquid instruments.
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.
Depositary Requirements	Depositary in Cyprus is always required
Reporting Requirements	Un-audited report every six months and audited annual report
Who Can Act as manager	If not self-managed the UCITS must appoint an authorised UCITS Management Company. The management company and the Depositary must act-at all times-independently of each other. The business of the Management company must also be managed by at least two persons who satisfy the “Fit and Proper” test.

Alternative Investment Funds (AIFs) and Managers (AIFMs)

AIF Definition and Characteristics

AIFs are collective investment undertakings which:

- Raise capital from a number of investors with a view to investing it in accordance with a defined investment policy
- In principle, a collective investment vehicle that does not qualify as a UCITS is designated as an AIF
- Hedge Funds, private equity Funds, real estate Funds, venture capital Funds and others all fall within the scope of the definition of an AIF
- It is a national product.

Registered AIFs (RAIFs)

- RAIFs do not require authorisation by the Cyprus Securities and Exchange Commission (CySEC), being the competent authority supervising AIFs, in order to commence operations as long as they are externally managed by an Alternative Investment Fund Manager (AIFM) established in Cyprus or within another EU Member State

- Instead, the establishment of a RAIF will need to be notified to the CySEC and be included in a special register that shall be maintained to this end.
- This revolutionary development results to a drastically time efficient and more affordable way for establishing AIFs in Cyprus.
- Key benefit for RAIFs is the use of the EU marketing passport via its AIFM.
- Option for umbrella structure with multiple investment compartment
- In deviation of the above, RAIFs structured as limited partnerships may also be externally managed by managers other than AIFMs (i.e. Investment Firms, UCITS Management Companies) in such event, the RAIF must necessarily be closed-ended and invest in illiquid assets.
- Another significant reform is the option for structuring an AIF as a limited partnership with inherent legal personality, resulting to the AIF having separate legal personality compared to the AIFs structured as traditional limited partnerships.

Types of AIFs - Legal Forms

AIF	AIF For Limited Number Of Persons	RAIF
Variable Capital Investment Company (VCIC)	Variable Capital Investment Company (VCIC)	Variable Capital Investment Company (VCIC)
Fixed Capital Investment Company (FCIC)	Fixed Capital Investment Company (FCIC)	Fixed Capital Investment Company (FCIC)
Limited Partnership (LP)		Limited Partnership (LP)
Common Fund (CF)		Common Fund (CF)

Characteristics of the Types of AIFs

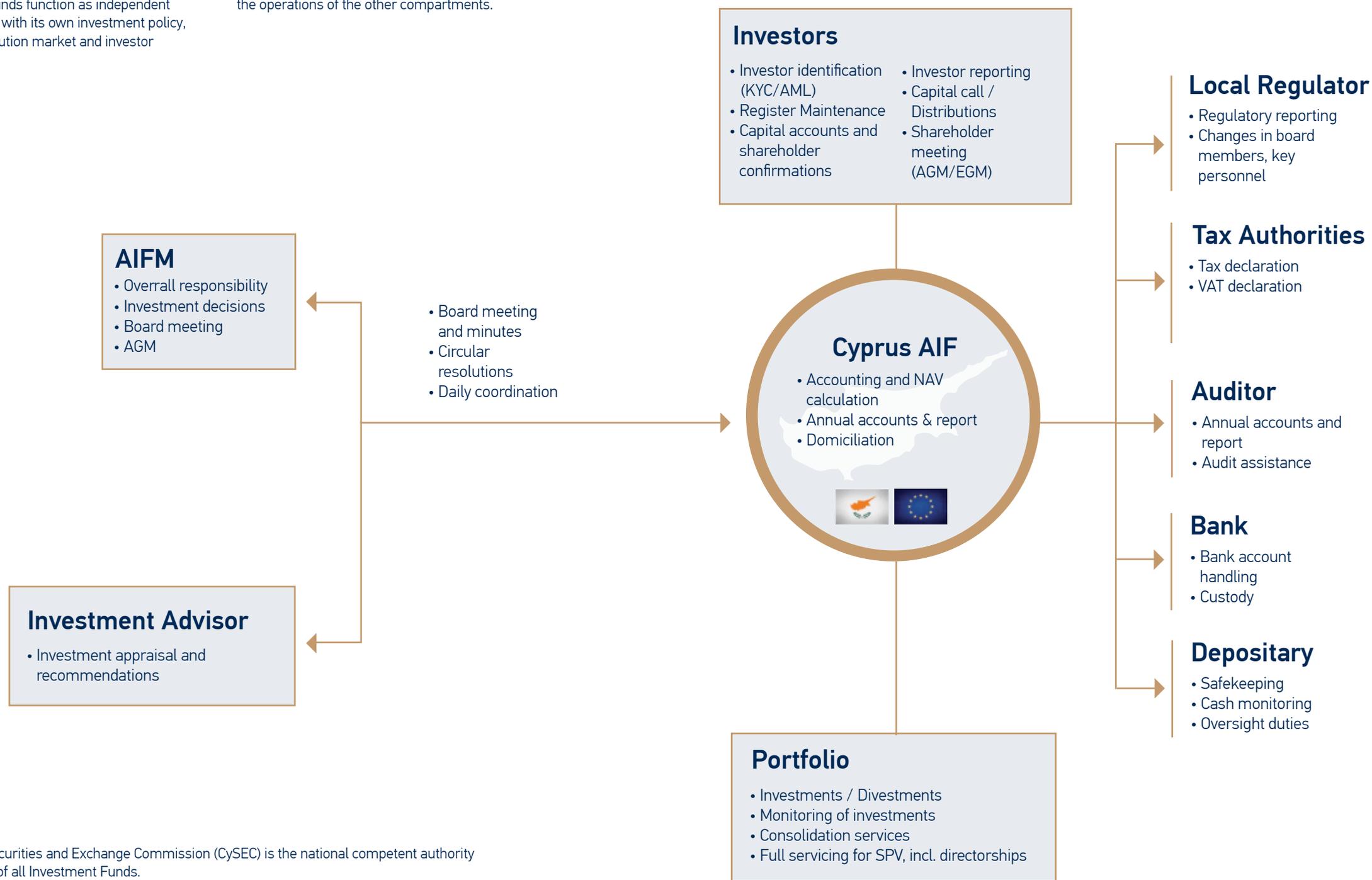
	Alternative Investment Funds (AIFs)	AIF For Limited Number of Persons (AIFLNP)	Registered AIFs (RAIFs)
Addressed to:	Retail or Professional/Well-informed investors	Only to Professional/Well-informed investors	Only to Professional/Well-informed investors
Limitation on number of investors	Unlimited number of investors	Investors may not exceed the total number of 75	
Flexibility:	Can be open or close ended		
Investment Restrictions	Apply for liquidity and risk diversification	Do not apply	Do not apply
Depositary Requirements	Obligation to appoint Depositary	Can be exempted from Depositary if 1) Less than 5 investors join the Fund 2) AUM does not exceed €5 million	Obligation to appoint Depositary
Reporting Requirements	<ul style="list-style-type: none"> Annual audited report to CySEC and Investors Half-yearly unaudited report to CySEC and investor 	<ul style="list-style-type: none"> Annual audited report to CySEC and Investors 	Supervision at the level of the AIFM managing the RAIF(s). CysSEC will rely on the regulated status of the AIFM to ensure compliance and indirect supervision of applicable laws and appropriate standards by the Fund
Who Can Act as manager	<ul style="list-style-type: none"> AIFM licenced in the EU UCIT Manager licensed in the EU MiFID Investment Firm Cyprus Mini-manager (in the process of enactment) EU Sub-threshold AIFM In the case of Companies, the Fund can be self-managed and be licensed both as an AIF as well as an AIFM 	<ul style="list-style-type: none"> Third country manager UCIT Manager licensed in the EU MiFID Investment Firm Cyprus Mini-manager (in the process of enactment) EU Sub-threshold AIFM In the case of Companies, the Fund can be self-managed and be licensed both as an AIF as well as an AIFM 	<ul style="list-style-type: none"> Externally managed by an AIFM established in Cyprus or within another EU Member State. RAIFs structured as limited partnerships may also be externally managed by managers other than AIFMs (i.e. Investment Firms, UCITS Management Companies) in such event, the RAIF must necessarily be closed-ended and invest in illiquid assets.



AIF with several compartments

- The AIF can be structured as a multiple compartment Fund (umbrella fund) which creates separate sub-funds (compartments) under the roof of a single legal entity
- These sub-funds function as independent entities each with its own investment policy, target distribution market and investor profile
- The assets and liabilities of each sub-fund are ring-fenced
- Each compartment may be dissolved or liquidated separately without affecting the operations of the other compartments.

Central to the operation of an AIF



Note:
The Cyprus Securities and Exchange Commission (CySEC) is the national competent authority and regulator of all Investment Funds.

Growing Funds in Cyprus

Shipping Funds

Cyprus being among the top three Shipmanagement Centres globally and the 3rd largest merchant fleet in the EU and among the largest merchant fleet worldwide, we have an opportunity to market Cyprus as a place for alternative finance for ships using capital markets. The Tonnage Tax system, which is currently in force in Cyprus, enhances the already very favourable taxation framework of AIFs. The assets will be registered predominantly under the Cyprus flag, and taxed under the Tonnage Tax system. Hence, the Fund will be totally exempt from Taxation on its operating profits and any capital gains realized.

EuVECA Funds

EuVECA Funds aim to make it easier for venture capital managers to raise funds across Europe by creating a pan-European marketing passport for managers registered under the EuVECA designation. The European Commission considers that venture capital has a key part to play in supporting growth within the EU and the EuVECA Regulation sought to improve access to funding for unlisted small and medium sized enterprises (SMEs) and other startup companies and also to increase non-bank finance for the EU economy.

Private Label Funds

This is geared for wealthy individuals and family offices as it allows the grouping of assets under an umbrella structure with no cross liability between the sub-funds while the investment objectives and restrictions are being determined by the Fund promoter. Additionally, such structure ensures an ongoing tax compliance and provides for a dedicated method of valuation of all the family assets at regular intervals whereas money may be withdrawn through flexible redemption procedures.

Other Funds

Over the last few years there has been an increase in registration of Real Estate Funds, Energy Funds while there is interest for structuring and managing Funds in Education, ICT sector, startups and Funds investing in the Banking Sector and Financial Services.



Your key partners in Cyprus



Invest Cyprus

Businesses and individuals considering investment into Cyprus have a partner on the ground at all stages of the investment cycle. Invest Cyprus is the government's dedicated partner responsible for attracting and facilitating Foreign Direct Investment (FDI) in key economic sectors.

Being the lead agent in establishing Cyprus as a world-class investment destination, Invest Cyprus proactively promotes the enhancement of the country's competitive environment, advocating reform and maximising FDI, for the economic and social benefit of Cyprus. In close collaboration with all government authorities, public institutions and the private sector, Invest Cyprus is the investor's first point of contact. Invest Cyprus is a member of the World Association of Investment Promotion Agencies (WAIPA) and the Mediterranean Investment Network, ANIMA.

Office Address

Severis Building, 9 Makariou III Ave.
4th Floor, Nicosia 1065
P.O.Box 27032, Nicosia 1641 Cyprus
Tel. + 357 22 44 11 33, Fax + 357 22 44 11 34
E: info@investcyprus.org.cy
www.investcyprus.org.cy



Cyprus Investment Funds Association (CIFA)

CIFA is the Association of professionals, businesses and organizations offering services and being involved in the Investment Funds Sector in Cyprus. CIFA focuses on enhancing the high level of sophistication of the Investments Funds Industry and addresses 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 capitalize on industry trends; Shape regulation; Enhance professionalism, integrity and quality and Promote the Cyprus Investments Fund Industry.

The Board of CIFA is comprised of highly reputable industry professionals experienced in all aspects of the industry, including fund management, advisory, banking, audit and legal.

Office Address

Severis Building, 9 Makariou III Ave.
4th Floor, Nicosia 1065
P.O.Box 27032, Nicosia 1641 Cyprus
Tel. + 357 22 44 11 33, Fax + 357 22 44 11 34
E: info@cifacyprus.org
www.cifacyprus.org



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 ICPAC and the 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. The vision of CySEC is to establish the Cyprus securities market as one of the safest, most reliable and attractive destinations for investment.

Office Address

27 Diagorou Str. CY-1097, Nicosia
P.O Box 24996, 1306 Nicosia
Tel. +357 22506600, Fax +357 22506700
E: info@cysec.gov.cy
www.cysec.gov.cy

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