ANNUAL REVIEW 2016
Annual Review 2016 &
Financial Statements
for the year ended
31 December 2015
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During the year under review, the Cypriot economy has moved into a macroeconomic stability, confidence has been restored and we are once again on a path of recovery and growth. Cyprus is operating with an essentially balanced budget and with a good primary surplus, and our budgetary planning for the period 2017-2019 remains safely within the margins of a balanced budget ensuring the public debt as a % of GDP will start decreasing.

Our banking sector is completely reformed and restructured. Capital adequacy and solvency have been enhanced significantly. Cyprus’ systemic banks now operate under the supervision of the European Central Bank, and there is a strong presence of new foreign investors.

In the area of taxation, we offer one of the most attractive fund tax regimes in Europe – both at the level of the fund manager and investors, as well as at the level of the fund. In fact, maintaining a stable and competitive tax regime is probably one of the issues where there is strong consensus across the political spectrum. And this, together with the stabilisation of the banking sector, has been instrumental in the restoration of consumer and business confidence, and ultimately in the recovery of our economy.

Regarding our funds legal framework, Cyprus, with the support of CIFA, has worked diligently to bring the country on par with other top fund hubs and is seeing increasing interest and appetite from investors and fund service providers looking for EU-regulated jurisdictions.

Cyprus remains an excellent base for international business, with a skilled workforce and wide network of double-tax treaties. Coming soon is an ambitious additional reform of the legal framework regarding investment funds and pension funds, which is expected to give a boost to the financial services sector.

Cyprus’ financial services sector continued to expand in terms of size, reputation and attractiveness, backed by a resilient regulatory framework, prudent supervision, consumer protection, and strong money laundering prevention mechanisms. The robustness of the sector is reflected in healthy capital and liquidity levels held by banks and continued registration of new companies, funds and investment vehicles, providing employment opportunities both within the direct financial intermediation segment and other related professional services activities.
“Cyprus, with the support of CIFA, has worked diligently to bring the country on par with other top fund hubs and is seeing increasing interest and appetite from investors and fund service providers looking for EU-regulated jurisdictions.”

CiFA is also closely monitoring the developments in the European Union and especially the discussions with Brexit. Cyprus is a reliable member of the EU and Eurozone, but also a country with a broader outlook that can be a strategic partner for the UK. Cyprus is an island of safety and stability offering opportunities for business, investment and cooperation, and this was made known in the funds forum held in London last month.

Reflecting on the industry trends during the past year, our industry has continued to grow and market trends show a consistent increase in the assets under management. This ties in well with the role of the asset management industry in providing alternative funding sources, as well as channelling savings and investments into long-term projects.

Our industry is a strong supporter of the Capital Markets Union (CMU) and welcomes the view of the European Commission to acknowledge that the industry has a key role to play in this action plan. We continue to support the CMU and its good ideas, such as lowering the regulatory costs of setting up funds and facilitating the cross-border operation of investment funds. We also support the Commission’s aim to make the European passport system function better for all types of investment funds.

We are therefore committed to remain proactive in these discussions, to keep working with the Cypriot regulator and the European institutions, with the aim to expand our funds sector and establish Cyprus as a successful alternative fund jurisdiction.

Angelos Gregoriades
President
Cyprus Investment Funds Association (CIFA)
Why Cyprus

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 services 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 funds, the country has developed into a key regional domicile for investment funds and asset managers. 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.
Funds Sector

Assets under Management:
€2.9bn
(June 2016)

Cyprus Investment Firms (MiFID):
218
(+ 51 new applications under review)

Administrative Service Providers:
162
(+ 23 new applications under review)

Administrative Service Providers:
162
(+ 23 new applications under review)

Issuers of securities trading on the CSE:
81
(+ 23 new applications under review)

Alternative Investment Fund Managers:
13
(+ 8 new applications under review)

Multilateral Trading Facility (MTF):
1
(64 shares and bonds trading)

Issuers of securities trading on the CSE:
81
(+ 23 new applications under review)

UCITS Management Companies
4
(+ 4 new applications under review)

UCITS Funds:
4
of which 3 are single schemes and 1 is an umbrella-type with 16 sub-funds (+ 5 new applications under review)

AIFs (Non-UCITS):
79
of which 66 are Self-Managed Alternative Investment Funds with limited number of persons (+ 26 new applications under review)

European Venture Capital Fund (EuVECA):
1

Regulated Markets:
1
(the Cyprus Stock Exchange)

Custodian Banks:
7

Regulator: The Cyprus Securities and Exchange Commission (CySEC)

International Memberships
• International Organization of Securities Commissions (IOSCO)
• European Securities and Markets Authority (ESMA)
• European Fund and Asset Management Association (EFAMA)
• European Systemic Risk Board (ESRB)

Memoranda of Understanding (MoU)
• Bilateral MoU with 19 Regulatory Authorities for the exchange of Information
• Bilateral MoU with 47 Supervisory Authorities outside the EU for enhanced supervision of Alternative Investment Fund Managers
• Full signatory of the IOSCO and ESMA Multilateral MoU
2015 Trends in the European Investment Funds Industry

The European investment funds industry saw yet another record-breaking year in 2015, with sales reaching an all-time-high of €734 billion and net assets under management breaking the €13 trillion mark, representing an 11% year-on-year growth rate.

The strong growth and development of the European industry can be attributed to the attractiveness of investment funds in terms of investor protection, the pursuit of higher investment returns with interest rates at record lows, and the European Central Bank’s (ECB) actions in 2015 to prevent deflation – such as the ECB’s Asset Purchase Programme, better known as Quantitative Easing (QE), which boosted both investor confidence and demand for long-term UCITS in early 2015.

Net assets of UCITS increased to €8,200 billion in 2015, marking the highest level of demand ever for UCITS with €601 billion in net new money flowing in. Long-term UCITS recorded net inflows of €516 billion, while money market funds recorded net inflows of €86 billion. European institutions and businesses continue to use money market funds as a convenient short-term cash management tool despite offering close-to-zero returns.

Net assets of AIFs rose to €5,116 billion in 2015, and net sales increased to €151 billion. Institutional funds attracted €181 billion in net new money in 2015, primarily thanks to continued strong demand from traditional institutional investors, such as insurance companies and pension funds.
Investment funds per inhabitant registered a 10% increase in 2015, reaching €22,470 compared to €20,450 in 2014. This increase reflected continued high net inflows to European investment funds and market appreciation. European investment fund net assets represented 83% of GDP at the end of 2015, up 3% from 2014, which is a strong indicator of the continued vital role of investment fund managers as key players in managing long-term savings, investors in the European financial markets, shareholders in European companies and facilitators of jobs and more importantly short-term funding for many European corporations.

Five countries held more than 10% market shares in 2015: Luxembourg, Ireland, Germany, France and the United Kingdom. Together, these top five countries held a cumulative share of 77% of the entire industry’s assets in 2015, while at 26% Luxembourg continues to have the largest market share within Europe.
UCITS

2015 marked the fourth consecutive year of remarkable growth for UCITS, with net assets increasing by 13% and reaching €8,166 billion. All categories of UCITS saw strong asset growth. However, multi-asset funds saw the greatest boost with an increase of 23% in 2015, thanks to a surge in investor demand. Equity funds grew by 13%, while bond funds saw a 5% rise in net assets. Also money market funds posted a healthy 17% net asset growth in 2015, constituting the largest percentage increase since 2002. In contrast, asset allocation of UCITS remained relatively stable in 2015. The shares of multi-asset and money market funds in the UCITS portfolio both saw a rise of 1% compared to 2014, the share of bond funds decreased by 2%, while the asset allocation of equity funds remained the same.
2015 was also a good year for AiFs, with European AiF net assets posting 8.4% growth, reaching €4,415 billion. From the various categories of AiFs, the largest increase was seen in the net assets of multi-asset funds with 12% growth, reaching €1,284 billion in 2015. A close second was AiF real estate, which increased by 8.9% to €426 billion, followed by AiF equity funds which increased by 4.1% to €374 billion. In contrast, money market fund assets decreased by 4.4% to €88 billion, while AiF bond funds only saw a marginal 0.1% decrease to €722 billion in 2015. Funds that do not fall under the other categories or for which information is not available, experienced net asset growth of 11.4% reaching €1,521 billion in 2015. The net assets of institutional funds saw an increase of 10% reaching €2,422 billion in 2015, which constitutes 55% of total AiF net assets.

Asset allocation of the AiF market also remained stable in 2015, with multi-asset funds seeing a 1% rise of the total AiF market, while equity, money market, and real estate funds maintained the same market share as in 2014. The share of bond funds saw a decrease of 2%, ending with 16% of the market in 2015.
2015 Worldwide Trends in Investment Fund Assets

The investment funds industry saw global growth in 2015, worldwide assets under management increased by 11.8% reaching €36.94 trillion, with Europe posting 12.6% asset growth. From the worldwide distribution of investment fund assets, the United States (48%) and Europe (33%) held the largest share of the world market in 2015, followed by Australia, Japan, Canada, Brazil, China, Republic of Korea, India and South Africa.
Demand for worldwide investment funds surged in 2015, as net sales reached €1,987 billion compared to €1,532 billion in 2014. Long-term funds saw increased net inflows of €1,609 billion, while money market funds registered net inflows of €378 billion following net outflows of €153 billion in 2014.

Overall net inflows into Europe reached €736 billion in 2015, compared to €398 billion in the United States. Long-term funds in Europe attracted €653 billion in net inflows in 2015, compared to €372 billion in the US, while money market funds recorded net inflows of €82 billion in Europe compared to €26 billion in the US.

The large net inflows into European multi-asset funds, is the primary reason for the difference in net sales of long-term funds between Europe and the United States in 2015. Other funds also enjoyed strong demand in 2015 attracting €108 billion into Europe, compared to only €2 billion into the US. While both jurisdictions enjoyed considerably healthy inflows in equity and bond funds.

Source: EFAMA
About CIFA

The Cyprus Investment Funds Association (CIFA) was established in February 2013 and registered as an Association in April of the same year, under the Associations and Foundations Law of 1972. The purpose and aspiration of CIFA is to become the collective voice and the reference point for all professionals and legal entities offering services or who are engaged in the investment funds industry in Cyprus. The Board of CIFA is comprised of highly reputable professionals experienced in all aspects of the industry, including fund management, advisory, banking, auditing and legal services.

Technical Expertise

To better fulfil its mandate, and to best utilise the valuable expertise of its members, CIFA has established 11 Technical Committees comprising of experienced industry professionals, which follow relevant developments at local and international level, analyse and discuss implications, challenges and opportunities and recommend best policy options and course of action, that will allow Cyprus to remain at the forefront of related issues internationally, while continuously expanding and updating its product to meet market needs.

Strong Cooperation

CIFA has a strong working relationship with Cyprus’ investment promotion agency, Invest Cyprus, which first took the initiative for the establishment of CIFA as a natural development of the progress made thus far in promoting Cyprus as a competitive investment funds jurisdiction. In extending its local network, CIFA has established close cooperation with the competent regulatory authorities, the Ministry of Finance, as well as the relevant industry associations and professional bodies. At an international level, CIFA is taking all the necessary steps to become a national member of widely recognised and respected international bodies.

Full EFAMA Membership

An important milestone for CIFA in 2016 was the upgrade of its status to full membership of the National Association of the European Fund and Asset Management Association (EFAMA). The representative association of the European investment management industry had in its Annual General Meeting on 17 June 2016, where it gave formal membership to CIFA after the completion of a two-year observer status.
Our Mission

Provide support to CIFA members

CIFA’s Technical Committees analyse and discuss implications, challenges and opportunities presented by developments at both a local and international level. Related guidance papers are issued to act as sources of reference to market participants.

Encourage high industry standards and professionalism

CIFA encourages professionalism, quality and integrity in the services offered by market participants by promoting the protection of investors, advocating adherence to high ethical standards, transparency and good corporate governance. CIFA also provides relevant training in order to further support the industry’s growth and the development of best practices.

Promote the Cyprus investment fund industry

CIFA’s ultimate goal is to promote the Cyprus investment fund industry. This is done locally by representing the industry in economic missions organised by the government and regulatory authority, by hosting fund conferences, events and seminars, and by interacting with the media. Internationally this is achieved by promoting awareness through its involvement with industry associations and participation in industry conferences.

Engage in the development of related regulation

CIFA monitors developments in the global industry and works closely with the government and regulatory authority in shaping regulation, both when required in light of regulatory developments at a European level, as well as when needed to develop new products and services in order to remain competitive.
Our Goals

CIFA’s goal is to capitalise on what has already been achieved and to continue developing Cyprus as a competitive international fund jurisdiction. A goal of utmost importance is to streamline procedures and to further enhance our legal and regulatory framework with the introduction of the Registered Alternative Investment Fund (Registered AIF) regime, and to ensure it is passed by Parliament in the coming months. Having CIFA’s Mission and Constitutional Objectives as the key guidelines, the Board and Technical Committees are expected to also intensify their efforts and initiatives to meet the following goals:

- Strengthen the competitiveness of Cyprus by efficiently developing and promoting the funds sector
- Increasing the number of CIFA members
- Members capacity building and professional development by organising seminars and training events to cater to the needs of our members in the face of international and local developments
- Cooperation and consultation with supervisory and licensing authorities to establish an efficient system for implementing the envisaged new legal framework
- Planning and organising more targeted promotional activities, including international events in selected financial centres, as well as promoting Cyprus’ new funds regime through various communication activities and strategies
Board of Directors

Left: Angelos Gregoriades, President
Middle: Andreas Athinodorou, Vice President
Right: Marios Tannousis, Board Secretary

Board Members
Left: Christoforos Antoniades
Middle: Costas Argyrides
Right: Charalambos Fokas

Board Members
Left: Omiros Pissarides
Middle: Constantinos Papanastasiou
Right: Savvas Pentaris

Board Members
Left: Marios Pilavakis
Middle: George Rologis
Right: Demetris Taxitaris

Board Members
Left: Nicolas Tantis
Middle: Panikos Teklos
Right: Andreas Yiasemides

Former Board Members
Charles Charalambous, Chris Odysseos, Ioannis Gaiganis
Activities

Developing the Fund Industry
Throughout 2016, the CIFA Board of Directors has been working in close cooperation with the Technical Committees to fulfil a number of priority objectives, starting from the strengthening of the membership base to raise CIFAs profile at both an international and national level, by providing quality information and training to its members and enhancing professional standards. One of the most important objectives is the initiative undertaken to formulate and implement a well-designed strategy for the development and promotion of the funds sector and the enhancement of the attractiveness of Cyprus as a jurisdiction of choice for investment funds and international fund managers.

Project for the Development of the Funds Sector
The inclusion of the funds sector in the National Action Plan for Growth demonstrates the attention paid by the Cyprus Government to the recommendations and proposals submitted by CIFA. It is also the outcome of a well-prepared and presented case for the potential benefits of investment funds to the development of the Cyprus economy in general. In accordance with this Action Plan, and in close cooperation with competent public authorities and the support of prominent stakeholders from the private sector, the CIFA Board initiated a project aiming first at defining the strategy for building a strong funds sector in Cyprus. In this respect, CIFA concluded an agreement with the international law firm King & Wood Mallesons (KWM). According to the Action Plan, based on the defined strategy, a study of current legislation and relevant regulatory and legal framework was performed with a view to introduce improvements in line with international best practice. The recommendations of the study have been translated into legislative proposals in cooperation with local legal experts covering investment funds and fund managers, tax and Company Law. In parallel to the enactment of the above legislation, CIFA is proceeding with the updating of financial institutions on the investment funds sector and its prospects. Upon enactment of the legislation, CIFA is planning to embark on an intense promotional activity in close coordination and cooperation with industry stakeholders by organising global events in selected international financial centres and in Cyprus.

CIFA Website and Quarterly Newsletter
CIFA’s website and newsletter were initiated in 2013, providing a platform of information to CIFA members and the funds industry in general, as well as an insight into legal and technical issues and developments in the funds sector. These are important tools in establishing a direct channel of communication with members and other persons engaged in relevant activities, as well as making CIFA known to a broader audience. The newsletter, issued on a quarterly basis, contains valuable contributions on a wide variety of subjects by CIFA members, government officials and the supervisory authority. Since September 2013, when the first newsletter was released, 11 issues have been published and distributed. They are also posted on the CIFA website.
CIFA Investment Funds Guide

The 2016/2017 edition of CIFA’s Investment Funds Guide was published in October 2016 in cooperation with CountryProfiler. The official publication provides international readers with an in-depth look at Cyprus investment funds and introduces key contacts within the sector. The 64-page Guide includes topics such as:

- Cyprus Fund Domicile Statistics
- Introduction to the Cyprus Securities and Exchange Commission
- Funds Sector Profile
- Cyprus AIFs and UCITS
- Passporting
- Fund Hosting
- Redomiciliation of Foreign Entities
- Listing on the Cyprus Stock Exchange
- Taxation
- Business Directory of key players in the Cyprus funds industry

The Guide is available in hard copy and as a download from CIFA’s website as well as on CountryProfiler’s online business and investment portal – CyprusProfile.com. Printed copies of the Guide are distributed at all events attended by CIFA. An updated version of the Guide will be published as soon as the upgraded legislation has been approved by Parliament.

Communication Activities

To increase international awareness about Cyprus’ growing investment funds sector and to gain greater exposure for CIFA and its members, the Association has been communicating its message through editorial contributions and interviews in a number of local and international channels, including:

- Cyprus Country Report (February 2016):
  CountryProfiler’s annual Cyprus Country Report is read by a high-calibre international audience of senior executives and professional advisors. The 160-page publication includes articles about Cyprus’ economy, foreign direct investment and detailed sector profiles including investment funds, as well as cutting-edge insights from some of Cyprus’ most influential political, economic and business leaders shaping the future of their country and its industries.

- EFAMA Fact Book 2016 (May 2016):
  One of the most important achievements was the preparation and submission of the Cyprus Country Report in May 2016 to EFAMA for inclusion in its upcoming Fact Book 2016. This is the second time that Cyprus is included as a funds jurisdiction in a global statistical publication dedicated to this sector, especially one being issued by such a highly reputable global association. In addition, CIFA is preparing for commencing its inclusion into EFAMA’s monthly and quarterly statistical reports as of September 2016 tracking, among others, assets under management, net sales and number of funds by fund type.
Cyprus Feature published in Lufthansa’s in-flight Magazine (July 2016):
The 24-page Cyprus feature, published by CountryProfiler, reached 4.5 million passengers travelling during July 2016. The feature included an exclusive interview with President Anastasiades as well as articles on headquartering, banking, investment funds, maritime and shipping and visiting Cyprus.

Cyprusprofile.com:
CiFA’s participation on CountryProfiler’s business and investment portal for Cyprus has enabled the Association to increase local and international awareness about developments in the country’s fund sector. CyprusProfile.com includes in-depth sector profiles on the country’s key sectors, including investment funds, as well as sector-related articles, interviews, insights and publications. The 2016/2017 Investment Funds Guide is available for download from CyprusProfile.com.

Local and International Media Coverage:
CiFA, and its event participation over the course of the year, has also been covered by various international and local media, such as, but not limited to, Hedge Week, Funds Europe Journal, Private Equity, International Investment, Cyprus Mail, Gold News and Sigmalive.
Events
Cyprus Investment Funds Association (CIFA) was well represented at a number of events during 2016, both in Cyprus and abroad, to promote the Cyprus funds sector. The events provided an important occasion to raise the international profile of both the Association and the funds industry in Cyprus, and offered valuable networking and professional development opportunities to its members and industry stakeholders.

The Cyprus Economic and Investment Summit
London, United Kingdom
12 May 2016
The Summit outlined the Cyprus Government’s vision for the country’s economy and its plans for continued stability, growth and the improved investment climate. CIFA was well represented and promoted the Cyprus fund industry highlighting why the island is an ideal business expansion platform. In addition to providing facts and figures about Cyprus Investment Firms, Administrative Service Providers, Issuers of Securities on the Cyprus Stock Exchange and other regulated markets, the association also promoted AIFs, Fund Managers, UCITs and Fund Administration companies operating from Cyprus. A key topic was the proposed amendments to the current AIF legal framework, as well as the forthcoming changes to the legal framework governing asset management in Cyprus, including the introduction of a mini-manager regime below AIFMD thresholds.

International Funds Summit
Limassol, Cyprus
29-31 May 2016
The International Funds Summit took place at the Grand Resort Hotel in Limassol. The event was organised by CIFA and was held under the auspices of the President of the Republic H.E. Nicos Anastasiades and the Cyprus investment promotion agency, Invest Cyprus. The Summit was attended by 500 industry professionals, of which 100 participants came from abroad. The event comprised of 23 industry professional speakers who made presentations on topics such as new investment opportunities and products, changes to the regulatory landscape, key trends and challenges, case studies and best practices.

Cyprus-Germany Business Forum
Frankfurt and Munich, Germany
28-30 June 2016
The Ministry of Energy, Commerce, Industry and Tourism and the Cyprus Chamber of Commerce and Industry successfully organised the Cyprus-Germany Business Forum ‘Doing Business in Cyprus and Opportunities in the Region’. The Cypriot delegation had the opportunity to address a high-calibre audience about the prospects for business activities in Cyprus and to discuss opportunities and cooperation between Cyprus and Germany. Panel presentations included topics such as the promising investor prospects of the Cyprus economy, the Cyprus funds industry, Cyprus as a base for operations in the Middle East and North Africa, and regional headquartering.
HFM Week
London, United Kingdom
31 August 2016
HFM Week’s workshop on the consequences of Brexit hosted around 100 hedge fund managers, COOs, GCs and CFOs, who are examining their options in a post EU membership world. The workshop offered a great opportunity for CIFA to meet and network with London-based fund managers and bring more awareness to Cyprus as a domicile.

Cyprus-South Africa Business Forum
Johannesburg and Cape Town, South Africa
13-15 September 2016
The Business Forum, which was co-organised by the Cyprus-South Africa Business Association, the Cyprus Chamber of Commerce and Industry (CCCI), the Ministry of Energy, Commerce, Industry and Tourism (MECIT), Invest Cyprus and CIFA, involved the participation of more than 30 Cypriot businesses and more than 100 South African businesses, as well as a number of officials from the CCCI and the MECIT, including the Ministry’s General Manager. During the Forum, Cyprus was presented as an EU jurisdiction of choice as well as a business and investment funds centre. Special emphasis was placed on the opportunities for business development in the EU and other nearby non-EU countries using Cyprus as an EU base. The event was addressed to fund managers, promoters and investors and it was attended by organisations and individuals from the region.

Cyprus Economic & Investment Summit
New York, United States
22 September 2016
The rapid recovery of the Cypriot economy and the benefits Cyprus has to offer as an international business centre to foreign investors, were highlighted during the Cyprus Economic and Investment Summit in New York. The event, endorsed by CIFA, was attended by a large number of major institutional investors, attracting more than 100 representatives from various international funds, investment banks and investment consultants that either are based or maintain a strong presence in New York. The Summit analysed the benefits and features offered by Cyprus as an investment destination. The attendance of President Anastasiades and Finance Minister Harris Georgiades emphasised the importance of the conference and the US as a key target market for investment.

King Wood & Mallesons Seminar
London, United Kingdom
1 November 2016
Law firm King & Wood Mallesons co-hosted an exclusive seminar at their HQ in London with CIFA. The seminar was attended by 200 investment managers and focused on Cyprus as a destination for private equity, and as a convenient solution for Brexit, passporting, BEPS and other challenges.
Cyprus-UK Business Forum  
**London and Edinburgh, United Kingdom**  
*8-10 November 2016*

The Cyprus-UK Business Forum was organised by the Ministry of Energy, Commerce, Industry and Tourism and the Cyprus Chamber of Commerce and Industry, supported by Invest Cyprus, the Cyprus-UK Business Association, the UK Cyprus Enterprise Council, COBCOE, Enterprise Europe Network and the European Commission. The Forum was aimed at senior decision makers. The keynote speaker was Minister of Energy, Commerce, Industry and Tourism Yiorgos Lakkotrypis along with other ministers and business leaders. During panel discussions and interactive Q&A sessions, speakers highlighted the significant opportunities that now exist in Cyprus, providing and setting out in-depth investment opportunities and the advantages of Cyprus as a location for regional headquarters and a jurisdiction for investment funds. The event was hosted at Bloomberg’s London headquarters giving delegates a rare opportunity to visit this futuristic business news hub.

Cyprus Fund Forum  
**Hamburg, Dusseldorf, Frankfurt and Munich, Germany**  
*8-11 November 2016*

In its efforts to promote Cyprus Alternative Investment Funds and enhance the further development of the island as a Fund jurisdiction, the Cyprus Ministry of Energy Commerce Industry and Tourism in collaboration with the Cyprus Investment Fund Association (CIFA) organised a four-day event which took place in four German cities. The event was a great success as it attracted the interest of various fund managers, lawyers specialised in the provision of advisory services to investment funds as well as banking institutions offering services to funds and fund managers. The Cyprus Securities and Exchange Commission also honoured the event through presenting the existing legal framework and analysing the upcoming legislative amendments.

EFAMA Investment Management Forum  
**Brussels, Belgium**  
*16-17 November 2016*

The Forum was dedicated to global matters, such as those driven by the FSB and IOSCO as well as trends and developments in Asia and the U.S. The event brought together the European asset management industry and offered a valuable opportunity to continue the constructive dialogue with central bankers and regulators about the distinctive features of the EU business model as well as the European Commission’s objectives underlying the Capital Markets Union: filling the financing gaps, making the funds passport more effective, facilitating the cross-border operation of investment funds or developing a pan-European personal pension product (PEPP). Other topics included existing concerns of liquidity becoming more fragmented, and what tools (market-based and regulatory) asset managers would be able to cope with.

Fund Forum Middle East  
**Dubai, United Arab Emirates**  
*20-22 November 2016*

Fund Forum Middle East is part of the Fund Forum Series, one of the world’s leading asset management events. CIFA, in collaboration with Invest Cyprus, participated in the Forum promoting Cyprus as an attractive jurisdiction for the domiciliation and management of investment funds. The Forum brought an institutional flavour to the program, looking at topics such as global asset allocation, winning institutional mandates and the needs of individual groups such as family offices. It also covered themes crucial to the retail part of the market, such as distribution, the changing needs of the HNWI and product development. The event hosted key stakeholders in the Middle Eastern asset management community, over 300 family offices, insurance companies, wealth management platforms, institutional investors, heads of asset management businesses, portfolio managers and strategists.
Technical Committees

To fulfil its mandate and to best utilise the valuable expertise of its members, CIFA has established 11 Technical Committees comprising of experienced industry professionals. The committees follow relevant developments at local and international level, analyse and discuss implications, challenges and opportunities and recommend best policy options and course of action, to allow Cyprus to remain at the forefront of related issues internationally, while continuously expanding and updating its product to meet market needs.

- UCITS and AIFs Committee
- Fund/Asset Management Committee
- Fund Distribution Committee
- Fund Administration/Custodian Committee
- Legal and Regulatory Committee
- Ethics & Risk Management Committee
- Tax Committee
- Statistics and Fund Research Committee
- Training/HR Committee
- Wealth Management Committee (newly established)
- Fintech Committee (newly established)
UCITS & AIF Committee
Committee Chairman: Chris Odysseos

The committee had four meetings: 14 January 2016, 10 March 2016, 12 May 2016 and 8 September 2016. During the period under review the committee had 19 members (1 new member). Members of the board of the association attended meetings held when necessary to provide an update on important issues. Furthermore, representatives from the Cyprus Stock Exchange were invited to participate the meeting held on 12 May 2016. Main matters discussed during the period:

King & Wood Mallesons (KWM) report: Following the key initiatives set by the board of the association for the year 2016, the committee exchanged views on the KWM report’s findings, conclusions and suggestions. It was resolved at the meeting held on 14 January that an effort was to be made to push implementation of the suggestions into actual amendments of the legal framework.

Legal framework update and amendments: The committee extensively discussed the legal framework and changes to be made throughout the period. More specifically, during all four meetings, views were exchanged with the Cyprus Securities and Exchange Commission (CySEC) representatives on matters that had to do with clarifications on articles of the drafted law, suggestions for amendments in the wording of articles and comments on the consultation paper issued. Most significant legislation matters discussed during the period included:
- Current and new types of AIF
- Unregulated funds, scope, framework and promotion
- Fund Administration, regulation of the function
- ‘Mini Managers’, scope and framework
- Depository/Custodian, functions and regulation
- Fund managers

Collaboration with the Cyprus Stock Exchange for promotion of the industry: After an invitation from the committee, representatives from the Cyprus Stock Market attended the meeting held on 12 May, in order to provide an update on the relationship/status/law between the Cyprus Stock Market and AIFs. Nikos Tripatsas gave a brief summary of the actions taken by the Cyprus Stock Market in order to be competitive and within an attractive jurisdiction for fund investments. The main actions were:
- Enrichment of services and products
- Creation of new non-controlled market
- Provision of additional services direct to AIF
- Legal framework modification
- Keeping of registry with limited number of persons

It was indicated that little interest has been expressed for the moment for funds to be listed, and no significant development has been recorded on this. It was resolved that further meetings will be held in the future in an effort to collectively promote the jurisdiction.

Citizenship scheme: The committee discussed the matter again during the period under review. The conclusion made was that we are still facing significant issues. It was noted that the relevant ministry is reluctant to assist as it has major concerns on matters such as confirmation of the investment amount, period of investment to be held in Cyprus, which type of fund is considered to be qualifying for the scheme and the safeguards to be placed. It was resolved that efforts will continue in collaboration with the board of the association to meet with the Minister again.

Taxation on Funds: The matter was a hot topic throughout the period. Members expressed their concerns many times with regards to the strategy (or lack of it) that the tax authorities are following. Moreover, concerns were expressed specifically for taxation of unitholders/common funds. The committee requested from the Chairman to raise the matters with taxation as urgent to both the Tax Committee and the board of the association, and for CIFA to take a stand and resolve/clarify these issues in collaboration with the regulator and the authorities.

Auditors’ responsibilities and report: The responsibilities and report issued on engagements for AIF, was discussed during the last meeting of the period. The committee agreed to push for discussion of the matter at the level of the Board of ICPAC.
Fund/Asset Management Committee  
**Committee Chairman: Demetris Taxitaris**

The scope of the committee is primarily to monitor developments and exchange information that relates to the Fund/Asset Management community and to develop standards and best practices in this field. The committee has been considering laws and directives affecting its scope and terms of reference, for example UCITS law, AIFM Law, AIF law and MiFID law.

Committee members have been working on a number of issues in their field. They have been reviewing Consultation Papers regarding new legislation affecting fund managers, provision of their services and the performance of their duties, they are in continuous contact and have meetings with the Cyprus Securities and Exchange Commission (CySEC) officials and members of CySEC Board, they participated in the Consultative Group for the implementation of MiFID II in Cyprus providing comments and have been involved in collecting statistical information on local fund managers. Committee members are also writing articles for CiFA Newsletters and other publications aiming at promoting the profession and work of the fund manager in Cyprus, both with locals and foreigners. The committee is also coordinating with other committees in its work, in order to promote and form a consistent approach across CiFA and the industry, and is in contact with EFAMA establishing relations and an open communication channel between the local industry and its European counterparts.

Most importantly, the committee has been providing comments and consultation to CySEC in relation to the Consultation Paper aiming at amending the alternative investment fund regulatory framework in Cyprus, following advice by the international law firm, King & Wood Mallesons, engaged to this end through CiFA. This is the single most important project conducted to date in relation to the fund industry in Cyprus, drawing resources from the local services industry mainly and the government, and one aiming at turning Cyprus into a fund hub in Europe.

Fund Distribution Committee  
**Committee Chairman: Ioannis Gaiganis**

In pursuing one of CiFA’s main objectives to establish Cyprus as a fund distribution platform to markets (CIS, Gulf/MENA) that are untapped by mature fund distribution centres, we concentrated our efforts on first identifying specific advantages of Cyprus being a regional Fund Distribution Centre. In doing so, we contacted foreign distributors and agencies to try and understand how they viewed cross-border distribution of Cyprus UCITS and AIFs and understand the appetite for the establishment of such vehicles in Cyprus or simply the distribution via Cyprus of vehicles established anywhere in the EU. While we pursue our efforts to grow fund distribution activity in Cyprus, we continue to face considerable challenges in establishing such fund distribution capacity. Fund distribution globally is predominantly done by banks, distribution platforms, insurance companies and specialised regulated firms while in Cyprus the limited fund distribution that exists as such is done indirectly via portfolio and advisory mandates of Cyprus Investment Firms.

The committee continues to focus on investigating if local banks have an appetite for developing regional fund distribution capacity and if the creation of distribution e-platforms can be a solution, while adding value to their business. Local insurance companies are also a focus, but locally regulated vehicles such as Life Insurance wrappers that would allow indirect fund distribution via unit-linked products are absent from the market. Finally, we endeavour to better understand the dominant if not unique fund distribution capacity of Cyprus Investment Firms and their model for growth. From a regulatory viewpoint, we continue to analyse the current legislation and regulations or absence of it on fund distribution in and from Cyprus.
Fund Administration/
Custodian Committee

Committee Chairman: Andreas J. Yiasesmides

CIIF and the Cyprus Securities Exchange Commission (CySEC), along with all professionals involved in the market of funds, are trying to offer and promote a trustworthy, regulated and monitored environment to investors that wish to invest either in Cyprus funds or through Cyprus fund managers around the globe and establish the best possible practice of fund investor protection. Within the context of enhancement of the regulatory framework for funds, fund managers and service providers dealing with services attributable to funds’ stakeholders, CIIF and particularly our committee is working towards the launch of a legal framework which will regulate, monitor and supervise the fund administration services provided from Cyprus to local and international funds and fund managers.

During the year, the committee has made great efforts and has shown remarkable commitment toward the preparation and finalisation of the Fund Administration Law that upon its enactment will regulate the fund administration service providers. The aim is to establish fund administration as a distinct and separate category of licensable financial services activity.

Meetings of the committee were held on a regular basis with concentrated efforts in reviewing and improving the provisions of the draft law. Constructive and productive opinions exchange has taken place regarding proposed amendments or additions to the law in order to become more attractive and accommodate the needs of the industry and the stakeholders. The experience of the committee members in the provision of fund administration services, their vast knowledge and expertise proved to be very helpful and fruitful in the efforts making toward the preparation of a governing law which will regulate, monitor and supervise the fund administration services provided from Cyprus to local and international funds and fund managers.

The aforementioned criteria aim to establish a strong fund administration industry, composed of professionals of the field and ensure that the service will be offered by capable and committed experts. One of the main concerns of the committee was the adoption of measures which would strengthen the protection of investors, providing them with the comfort and trust they are looking for. In general, the committee’s focus was to structure a reliable service model that would be adopted for the benefit of both the service providers and the investors. In the committee’s opinion, this has been achieved and we are now waiting for further developments in relation to the ratification of the new Law. For the upcoming year, the committee aims to expedite the procedures for the enactment of the Fund Administration Law and mitigate any obstacles for its smooth implementation.
Legal and Regulatory Committee  
**Committee Chairman: Angelos Gregoriades**

The committee continued to follow up and assist in the implementation of the various recommendations which have been provided to the authorities for the improvement of the legal framework of the Alternative Investment sector in particular. More specifically the committee’s focus this year was on the following:

Review and comments on the following Cyprus Securities and Exchange Commission (CySEC) Consultation Papers (CPs):

1. **CP ΕΣ (2016 – 03) dated 22nd April 2016** which was divided into three parts:
   - Part I Introduction of the Registered Alternative Investment Fund (RAiF), (unauthorised AIF externally managed by a full scope Cyprus or EU Alternative Investment Fund Manager and which can take any legal form)
   - Part II Introduction of new Partnership form, the Alternative Investment Partnership (AIP), (unauthorized AIF which can be managed by any entity as permitted under s. 6 (2) (β) of the AIF Law)
   - Part III Introduction of an AIFM sub-threshold manager regime, namely the ‘Mini-Manager’

2. **CP ΕΣ (2016-06) relating to the replacement of CySEC Directive ΟΔ131-2014-02 on the terms and conditions of operations of AIF with Limited number of persons which was initially issued on 17/10/2014** Review and comments on the CySEC policy decision and Fund categories chart dated 21st September 2016 which addressed the following main issues:
   - Scope of application of the RAIF and revision of the initial position that the portfolio management be based on the risk spreading principle
   - Share Capital requirements and introduction of a minimum amount of net assets that the fund needs to reach within 12 months of its authorisation
   - Clarification of the duties of the Depositary under the Mini-Manager regime

Comments on the new CySEC Directive issued on 30th September 2016 as these relate to the obligations of the Depositary of AIFs not falling under the scope of the AIFMD

Review and assisting with the revision of various provisions of the current AIF Law and in particular relating to:

- ‘Investment Compartments’ (Sub-Funds) in order to enhance the legal certainty of the segregation
- Limited Partnership in a view to introduce non-management safe-harbours for the Limited Partners and various structuring possibilities following the possibility under a proposed amendment of the Partnership Law for the General Partner to elect for legal personality of the Partnership upon its establishment.

Members of the committee were in continuous contact with CySEC officials and attended in November a meeting with King & Wood Mallesons law Firm and CySEC representatives for further recommendations on the last CPs issued by CySEC.

Ethics & Risk Management Committee  
**Committee Chairman: Andreas Theophanous**

The committee is primarily focused on monitoring developments in the areas of ethics and risk, with an aim to translate these into best practice recommendations for our members and the industry as a whole. During the year, the committee continued monitoring developments in its area, focusing on Corporate Governance Codes for Collective Investment Schemes and their service providers, and on possible ways to support uniform and consistent implementation of Global Investment Performance Standards (GIPS) across the industry. Looking ahead to the next year, the committee will continue monitoring developments in its area and in this respect, is aiming to enhance its relationship with regulatory authorities, and also to organise relevant conferences and other training sessions and material, to support the needs of service providers and businesses involved in the sector.
Tax Committee

Committee Chairman: Neofytos Neofytou

The members of the Taxation Committee have met a number of times during the year in order to finalise the proposals for changes in the Cypriot tax legislation to make it attractive to investors and fund managers, taking into account the proposals for tax changes included in the report prepared by the outside consultants of CIFA. The final proposals were presented to the Ministry of Finance in May 2016 and a couple of meetings were held with officials of the Ministry and the Tax Department to discuss the proposed amendments. The proposals include issues relating to Islamic funds and the taxation of 'carried interest' payments to fund managers. It is expected that the discussions with the Ministry of Finance will be completed this month so that the bill is presented to the House of Representatives before the end of 2016.

Statistics and Fund Research Committee

Committee Chairman: George Martides

Since its establishment, the CIFA Statistics and Fund Research Committee has been working diligently on the following:

- establishing smooth and efficient channels of communication with the relevant regulatory authorities, specifically the Cyprus Securities and Exchange Commission (CySEC) and the Central Bank of Cyprus (CBC), to ensure the availability of data required for both internal reporting and reporting to EFAMA
- collecting and analysing data on local UCITS and non-UCITS (the latter including AIFs, AIFLNPs and CSE closed-ended listed funds)
- publishing articles in local newspapers and online media highlighting industry statistics and activity

The most important achievement of our committee during last year was the preparation and submission of the Cyprus Country Report in May 2016 to EFAMA for inclusion in its upcoming Fact Book 2016. This is the second time that Cyprus is included as a funds jurisdiction in a global statistical publication dedicated to this sector, especially one being issued by such a highly reputable global association. The Cyprus Country Report included, among others:

- statistics on assets under management, net sales and number of funds from 2011 through to year-end 2015 on the Cyprus funds industry
- a summary of the key regulatory as well as tax and VAT developments and how these might affect, either positively or negatively, the Cyprus funds industry (e.g. ELTIFs, CRAs, Benchmarks Regulation, Shareholders' Right Directive)
- an update of the activities of CIFA, including domestic lobbying efforts, conferences/workshops, and publications

In addition, the committee is preparing for commencing its inclusion into EFAMA’s monthly and quarterly statistical reports as of September 2016 tracking, among others, assets under management, net sales and number of funds by fund type.

Training and Human Resource Committee

Committee Chairman: Charles Charalambous

The Training and Human Resource Committee provides training and follows the development of competence in the funds industry in Cyprus and abroad. The committee’s aim is to maintain a high level of competence within the fund industry locally, while benchmarking competency to its peers internationally. Since 2015, CIFA has adopted a Code of Practice & Ethical Standards for Fund Managers and a Risk Management Principles and Guidelines Manual, authored by the CIFA Ethics and Risk Management Committee. The committee continues to support the efforts of the Cyprus Securities and Exchange Commission (CySEC) in the upkeep of ethics and integrity within the industry, which includes the collaboration of The Chartered Institute for Securities and Investment (CISI) with their invaluable Continuing Professional Development (CPD) courses and examinations. In addition, the committee supports the CIFA board and Cyprus’ investment promotion agency Invest Cyprus in promoting Cyprus as a fund jurisdiction. Within 2017, the committee will be organising further CPD events in collaboration with the CISI and other institutions in the fields of Anti-Money Laundering (AML) and fund administration, while also organising a risk management event in coordination with the CIFA Ethics and Risk Management Committee.
CIFA Strategic Partners

**Alter Domus (Cyprus) Limited**
Tel: +357 22 465151
Email: alterDomus@alterDomus.com
Website: www.alterdomus.com

**ATG Fund Services Limited**
Tel: +357 22 418811
Email: info@atgfunds.com
Website: www.atgfunds.com

**Bank of Cyprus Public Company Limited**
Tel: +357 22 128000
Email: info@bankofcyprus.com
Website: www.bankofcyprus.com

**Barclays Bank Plc**
Tel: +357 22 654400
E-mail: cyprus.enquiries@barclayswealth.com
Website: www.wealth.barclays.com

**CyproFund Administration Services Limited**
Tel: +357 22 474000
Email: info@cpf.com.cy
Website: www.cyprofund.com.cy

**Deloitte Limited**
Tel: +357 22 360300
Email: infonicosia@deloitte.com
Website: www.deloitte.com

**EFFECT Software Solutions**
Tel: +30 210 8256790
Email: info@effect.gr
Website: www.effect.gr

**Eurobank Cyprus Limited**
Tel: +357 22 208004
Email: info@eurobank.com.cy
Website: www.eurobank.com.cy

**EY Cyprus**
Tel: +357 22 209999
Email: christiana.palla@cy.ey.com
Website: www.ey.com
GMM Global Money Managers
Tel: +357 22 205858
Email: info@global-mm.com
Website: www.global-mm.com

HARNEYS Aristodemou Loizides Yiolitis LLC
Tel: +357 25 820020
Email: cyprus@harneys.com
Website: www.harneys.com

Invest Cyprus
Tel: +357 22 441134
Email: info@investcyprus.com
Website: www.investcyprus.org.cy

KMG Capital Markets
Tel: +357 25 818412
Email: info@kmgcapitalmarkets.com
Website: www.kmgcapitalmarkets.com

KPMG Limited
Tel: +357 22 209000
Email: nicosia@kpmg.com.cy
Website: www.kpmg.com

Numisma Capital
Tel: +357 22 455677
Email: info@numismacap.com
Website: www.numismacap.com

Point Nine Limited
Tel: +357 25 028241
Email: info@p9ft.com
Website: www.p9ft.com

PwC Cyprus
Tel: +357 22 555000
Email: andreas.yiasemides@cy.pwc.com
Website: www.pwc.com.cy

Systemic Cyprus
Tel: +357 22 022623
Email: info@systemic-rm.com
Website: www.systemic-rm.com

Treppides Fund Services Limited
Tel: +357 22 678944
Email: info@treppides.com
Website: www.treppides.com
CIFA Corporate Membership

ABACUS Limited
Tel: +357 22 555800
Email: abacus@abacus.com.cy
Website: www.abacus.com.cy

Alpha Bank Cyprus Ltd
Tel: +357 22 888888
Email: financialservices@alphabank.com.cy
Website: www.alphabank.com.cy

Alphastone Limited
Tel: +357 25 581005
Email: info@alphastone.com
Website: www.alphastone.com

Alter Domus (Cyprus) Limited
Tel: +357 22 465151
Email: alterdomus@alterDomus.com
Website: www.alterdomus.com

AMF Global Limited
Tel: +357 25 585583
Email: info@amf-global.com
Website: www.amf-global.com

Argus Stockbrokers Ltd
Tel: +357 22 717030
Email: cantoniades@argus.com.cy
Website: www.argus.com.cy

Andreas M. Sofocleous & Co LLC
Tel: +357 25 849000
Email: info@sofocleous.com.cy
Website: www.sofocleous.com.cy

ATG Fund Services Limited
Tel: +357 22 418811
Email: info@atgfunds.com
Website: www.aspentrust.com

Axia Ventures Group Limited
Tel: +357 22 742000
Email: info@axiavg.com
Website: www.axiavg.com

Baker Tilly in South East Europe
Tel: +357 22 458500
Email: info@bakertillyklitou.com
Website: www.bakertillyklitou.com

Bank of Cyprus Public Company Limited
Tel: +357 22 128000
Email: info@bankofcyprus.com
Website: www.bankofcyprus.com

BAO Global Fund (CY) Limited
Tel: +357 22 272700
Email: rn@baofinancialgroup.com
Website: baofinancialgroup.com

Barclays Bank PLC
Tel: +357 22 654400
Email: cyprus.enquiries@barclayswealth.com
Website: www.wealth.barclays.com

BDO Limited
Tel: +357 22 495707
Email: nicosia@bdo.com.cy
Website: www.bdo.com.cy

Bizserve Consultants Limited
Tel: +357 22 375504
Email: info@bizserve.eu
Website: www.bizserve.eu

CDB Bank
Tel: +357 22846500
Email: cphokas@cdb.com.cy
Website: www.cyprusdevelopmentbank.com

Centaur Trust Services (Cyprus) Limited
Tel: +357 22 499994
Email: info@centaurtrust.com
Website: www.centaurtrust.com

Christodoulos Vassiliades & Co LLC
Tel: +357 22 556677
Email: cvv@vasslaw.com
Website: www.vasslaw.com
Cyprus Investment Funds Association (CIFA)
Annual Review 2016

Christos Patsalides LLC
Tel: +357 22 677677
Email: info@patsalides.com.cy
Website: www.patsalides.com.cy

Chrysanou & Chrysanou LLC
Tel: +357 22 677443
Email: chryslaw@chryslaw.com
Website: www.chryslaw.com

Chrysses Demetriades & Co LLC
Tel: +357 25 800 000
Email: info@demetriades.com
Website: www.demetriades.com

CITCO (Cyprus) Limited
Tel: +357 22 361600
Email: mvujnovic@citco.com
Website: www.citco.com

Citigrade Capital Ltd
Tel: +357 25 004550
Email: info@citigrade-capital.com
Website: www.citigrade-capital.com

Colocassides Hadjipieris LLC
Tel: +357 22 459345
Email: nomos@cohalaw.com
Website: www.cohalaw.com

Cooperative Central Bank Ltd
Tel: +357 22 743000
Email: NicosiaBranch@ccb.coop.com.cy
Website: www.coopbank.com.cy

Costas Indianos & Co Limited
Tel: +357 22 675231
Email: indianos@indianos.com.cy
Website: www.indianos.com.cy

C.P. Palema Administrator Limited
Tel: +357 25 960072
Email: fundadministration@palemanet.com
Website: www.palema.net

C. Savva & Associates Ltd
Tel: +357 22 516671
Email: info@savvacyprus.com
Website: www.savvacyprus.com

CyproFund Administration Services Limited
Tel: +357 22 474000
Email: info@cyprofund.com.cy
Website: www.cyprofund.com.cy

Cyprus Bar Association
Tel: +357 22 873300
Email: cybar@cytanet.com.cy
Website: www.cyprusbarassociation.org

Cyprus Fiduciary Association (CFA)
Tel: +357 25 590086
Email: info@cfa.org.cy
Website: www.cfa.org.cy

Cyprus International
Institute of Management (CIIM)
Tel: +357 22 462246
Email: ciim@ciim.ac.cy
Website: www.ciim.ac.cy

Deloitte Limited
Tel: +357 22 360300
Email: info@deloitte.com
Website: www.deloitte.com

Demetra Investments Public Ltd
Tel: +357 22818222
Email: mailbox@demetra.com.cy
Website: www.demetra.com.cy

Demetrios A. Demetriades LLC
Tel: +357 22 769000
Email: dadlaw@cytanet.com.cy
Website: www.dadlaw.com.cy

DFK Demetriou, Trapezaris Ltd
Tel: +357 22 879300
Email: office@dfkcy.com
Website: www.dfkcy.com
CIFA CORPORATE MEMBERSHIP

Dimacos Capital Ltd
Tel: +357 25 020 340
Email: vassos@dimacos.com
Website: www.dimacos.com

Dr. Chrysostomides & Co Ltd
Tel: +357 22 777000
Email: info@chrysostomides.com.cy
Website: www.chrysostomides.com.cy

EFFECT Software Solutions
Tel: +30 210 8256790
Email: info@effect.gr
Website: www.effect.gr

EFG Luxembourg SA Cyprus Branch
Tel: +357 22 025900
Email: cyprusbranch@efgbank.com
Website: www.efginternational.com

E & G Economides LLC
Tel: +357 25 866000
Email: legal@economideslegal.com
Website: www.economideslegal.com

Eurobank Cyprus Ltd
Tel: +357 22 208000
Email: info@eurobank.com.cy
Website: www.eurobank.com.cy

Eurofast Taxand Ltd
Tel: +357 22 699 222
Email: info@eurofast.eu
Website: www.eurofast.eu

European Institute of Management and Finance
Tel: +357 22 274470
Email: info@eimf.eu
Website: www.eimf.eu

EXSUS Trust
Tel: +357 22 877120
Email: mikkos@exsusinternationaluk.com
Website: www.exsustrust.com

EY Cyprus
Tel: +357 22 209999
Email: ey.cyprus@cy.ey.com
Website: www.ey.com

Fiducenter (Cyprus) Limited
Tel: +357 25 504000
Email: fiducenter@fiducenter.com.cy
Website: www.fiducenter.com.cy

Fiducitrust Services Limited
Tel: +357 22 600700
Email: info@fiducitrust.com
Website: www.fiducitrust.cy.net

Fiduserve Management Ltd
Tel: +357 22 418200
Email: info@fiduserve.com
Website: www.fiduserve.com

First Names (Cyprus) Ltd
Tel: +357 22 749000
Email: christos.michael@firstnames.com
Website: www.firstnames.com

G. APOSTOLOU & CO. LLC
Tel: +357 22 028888
Email: enquiries@apostoloulaw.com
Website: www.apostoloulaw.com

Globalserve Consultants Limited
Tel: +357 25 817181
Email: marketing@globalservice.com.cy
Website: www.globalservice.com

GMM Global Money Managers Ltd
Tel: +357 22 205858
Email: info@global-mm.com
Website: www.global-mm.com

GQS Services Limited
Tel: +357 22 660183
Email: info@gqs-services.com
Website: www.gqs-services.com
CIFA CORPORATE MEMBERSHIP

M. Eliades & Partners LLC
Tel: +357 22 667730
Email: info@eliades.eu
Website: www.eliades.eu

Mellstock Limited
Tel: +357 25 345351
Email: tony@mellstock.com
Website: www.mellstock.com

Nexia Poyiadjis Chartered Accountants
Tel: +357 22 456111
Email: np@nexia.com.cy
Website: nexionypoyiadjis.com

Numisma Capital Limited
Tel: +357 22 455677
Email: info@numismacap.com
Website: www.numismacap.com

Orangefield (Cyprus) Limited
Tel: +357 25 27272
Email: info@orangefield.com.cy
Website: www.orangefield.com

Panglobe Group Limited
Tel: +357 22 451222
Email: info@panglobe.com.cy
Website: www.panglobe.com.cy

Pelaghias, Christodoulou, Vrachas LLC
Tel: +357 22 764216
Email: info@pelaghiaslaw.com
Website: www.pelaghiaslaw.com

Piraeus Bank (Cyprus) Limited
Tel: +357 22 575500
Email: info@piraeusbank.com.cy
Website: www.piraeusbank.com.cy

Point Nine Limited
Tel: +357 25 028241
Email: info@p9ft.com
Website: www.p9ft.com

PwC Cyprus
Tel: +357 22 555000
Email: andreas.yiasemides@cy.pwc.com
Website: www.pwc.com.cy

Reanda Cyprus Limited
Tel: +357 22 670680
Email: info@reandaicyprus.com
Website: www.reandaicyprus.com

RMG Holding Ltd
Tel: +357 22 447 024
Email: rmgh@rmgh.eu
Website: www.rmgh.eu

SCSS Fund Management LTD
Tel: +357 22 376006
Email: info@scssfunds.com
Website: www.scssfunds.com

SPA Financial Services Ltd
Tel: +357 22 028585
Email: info@spafs.com
Website: www.spafs.com

Systemic Cyprus
Tel: +357 22 022623
Email: info@systemic-rm.com
Website: www.systemic-rm.com

TMF Administrative Services Cyprus Limited
Tel: +357 22 45132
Email: Cyprus@tmf-group.com
Website: www.tmf-group.com

Treppides Fund Services Ltd
Tel: +357 22 678944
Email: info@treppides.com
Website: www.treppides.com

V B Partners
Tel: +357 25 279000
Email: info@vbpartners.com.cy
Website: www.vbpartners.com.cy

VGDA Accountants Limited
Tel: +357 22 300900
Email: info@vgda.com.cy
Website: www.vgda.com.cy
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OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors
Angelos Gregoriades - President
Andreas Athinodorou - Vice President
Marios Tannousis - Secretary
Demetris Taxitaris - Member
George Rologis - Member
Charalambos Fokas - Member
Andreas Yiaseadides - Member
Omiros Pissarides - Member
Christoforos Antoniades - Member
Constantinos Papanastasiou - Member
Marios Pilavakis - Member
Savvas Pentaris - Member
Costas Argyrides - Member
Panikos Teklos - Member
Nicolas Tantis - Member
Charles Charalambous (resigned in October 2016)
Chris Odysseos (resigned in October 2016)
Ioannis Gaiganis (resigned in September 2016)

Independent Auditors
Joannides + Co Limited
Certified Public Accountants and Registered Auditors
Nicosia

Bankers
Bank of Cyprus Public Co Ltd
Hellenic Bank Limited

Registered Office
Severis Building
9 Makarios III ave., 4th Floor
1065 Nicosia
REPORT OF THE BOARD OF DIRECTORS OF THE ASSOCIATION

for the year ended 31 December 2015

The Board of Directors of Cyprus Investment Funds Association (CIFA), (the “Association”), present to the members their report and the audited financial statements for the year ended 31 December 2015.

Principal activity
The main purpose of the Association is to act as the single unified representative body of the industry in Cyprus, representing the sector in economic missions to promote and support the development of the Cyprus Investment Fund industry, provide support to its members in knowledge building through regular educational programs and encourage maintenance of industry standards and professionalism.

Results
The results for the year are shown on page 42.

Board of Directors
The members of the Board of Directors as at the date of this report are presented on page 38. They will all be resigned and offer themselves for re-election at the Annual General Meeting on 12 December 2016.

Independent Auditors
The independent auditors of the association Joannides + Co Limited, have expressed their willingness to continue in office. A resolution proposing their reappointment as auditors to the association and giving authority to the directors to fix their remuneration will be submitted at the annual general meeting.

By order of the Board of Directors,

Marios Tannousis
Secretary
16 November 2016
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)

Report on the Financial Statements
We have audited the financial statements of Cyprus Investment Funds Association (CIFA), (the “Association”), on pages 42 to 48, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of fund account and the statement of cash flows for the year ended 31 December 2015 and a summary of significant accounting policies and other explanatory information.

Board of Directors’ responsibility for the financial statements
The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Articles of Association of the Association, the Associations and Foundations Law of 1972 and the Associations and Foundations Regulations of 1973, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Cyprus Investment Funds Association (CIFA) as at 31 December 2015, and of its financial performance and its statement of cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Association’s Articles of Association, the Associations and Foundations Law of 1972 and the Associations and Foundations Regulations of 1973.

Report on other legal and regulatory requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Association, so far as appears from our examination of those books.
- The Association’s financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Association’s Articles of Association, the Associations and Foundations Law of 1972 and the Associations and Foundations Regulations of 1973, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Cyprus Investment Funds Association (CIFA) members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Lefkios Joannides
Certified Public Accountant and Registered Auditor for and on behalf of

Joannides + Co Limited
Certified Public Accountants and Registered Auditors

Nicosia, 16 November 2016
## STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td>Subscriptions and registration fees</td>
<td></td>
<td>41.093</td>
<td>36.944</td>
</tr>
<tr>
<td></td>
<td></td>
<td>41.093</td>
<td>36.944</td>
</tr>
<tr>
<td><strong>Other income from operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations and sponsorships - KWM project</td>
<td></td>
<td>149.212</td>
<td>16.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>149.212</td>
<td>16.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>190.305</td>
<td>52.944</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality expenses</td>
<td></td>
<td>4,873</td>
<td>11,080</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td></td>
<td>143.792</td>
<td>17.020</td>
</tr>
<tr>
<td>Professional fees</td>
<td></td>
<td>2,975</td>
<td>2,000</td>
</tr>
<tr>
<td>Printing, postages and stationery</td>
<td></td>
<td>177</td>
<td>1,559</td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td>-</td>
<td>732</td>
</tr>
<tr>
<td>Website expenses</td>
<td></td>
<td>416</td>
<td>1,368</td>
</tr>
<tr>
<td>Accountancy fees</td>
<td></td>
<td>2,142</td>
<td>3,332</td>
</tr>
<tr>
<td>Audit fees</td>
<td></td>
<td>1,190</td>
<td>1,190</td>
</tr>
<tr>
<td>Sundry expenses</td>
<td></td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Bank charges</td>
<td></td>
<td>146</td>
<td>93</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(156.111)</td>
<td>(38.774)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34.194</td>
<td>14.170</td>
</tr>
<tr>
<td><strong>Net financial income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest received (net)</td>
<td>3</td>
<td>98</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td></td>
<td>98</td>
<td>79</td>
</tr>
<tr>
<td>Surplus for the period</td>
<td></td>
<td>34.292</td>
<td>14.249</td>
</tr>
<tr>
<td>Surplus brought forward</td>
<td></td>
<td>54.095</td>
<td>39.846</td>
</tr>
<tr>
<td>Surplus carried forward</td>
<td></td>
<td>88.387</td>
<td>54.095</td>
</tr>
</tbody>
</table>

*The notes on pages 46 to 48 form an integral part of the financial statements.*
## STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>5</td>
<td>31,760</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>250,512</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>282,272</td>
</tr>
<tr>
<td><strong>SURPLUS AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund account</td>
<td></td>
<td>88,387</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>7</td>
<td>12,475</td>
</tr>
<tr>
<td>Deferred income</td>
<td>8</td>
<td>181,410</td>
</tr>
<tr>
<td><strong>Total surplus and liabilities</strong></td>
<td></td>
<td>193,885</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>282,272</td>
</tr>
</tbody>
</table>

The financial statements on pages 42 to 48 were approved by the Board of Directors on 16 November 2016 and were signed on its behalf by:

Angelos Gregoriades  
President

Marios Tannousis  
Secretary

*The notes on pages 46 to 48 form an integral part of the financial statements.*
## STATEMENT OF FUND ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th>Surplus €</th>
<th>Total €</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance 31 December 2013</strong></td>
<td>39.846</td>
<td>39.846</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>14.249</td>
<td>14.249</td>
</tr>
<tr>
<td><strong>Balance 31 December 2014</strong></td>
<td>54.095</td>
<td>54.095</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>34.292</td>
<td>34.292</td>
</tr>
<tr>
<td><strong>Balance 31 December 2015</strong></td>
<td>88.387</td>
<td>88.387</td>
</tr>
</tbody>
</table>

*The notes on pages 46 to 48 form an integral part of the financial statements.*
### Statement of Cash Flows

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus for the period</td>
<td>34.292</td>
<td>14.249</td>
</tr>
<tr>
<td>Adjustments for: Bank interest received</td>
<td>3</td>
<td>(98)</td>
</tr>
<tr>
<td><strong>Operating surplus before working capital changes</strong></td>
<td>34.194</td>
<td>14.170</td>
</tr>
<tr>
<td>(Increase) decrease in other receivables</td>
<td>(22.560)</td>
<td>2.700</td>
</tr>
<tr>
<td>Increase in other payables</td>
<td>7.436</td>
<td>2.669</td>
</tr>
<tr>
<td>Increase in deferred income</td>
<td>173.115</td>
<td>1.456</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>192.185</td>
<td>20.995</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank interest received</td>
<td>98</td>
<td>79</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>98</td>
<td>79</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Increase in Cash and Cash Equivalents</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>192.283</td>
<td>21.074</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents at the Beginning of the Year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents at the beginning of the year</strong></td>
<td>58.229</td>
<td>37.155</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents at the End of the Year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td>250.512</td>
<td>58.229</td>
</tr>
</tbody>
</table>

The notes on pages 46 to 48 form an integral part of the financial statements.
NOTES TO THE FINANCIAL STATEMENTS

1. Registration and principal activities

   The Cyprus Investment Funds Association (CIFA), (the “Association”), was registered in Cyprus on 25 April 2013, as an Association in accordance with the Associations and Foundations Law of 1972 and the Associations and Foundations Regulations of 1973.

   The main purpose of the Association is to act as the single unified representative body of the industry in Cyprus, representing the sector in economic missions to promote and support the development of the Cyprus Investment Fund industry, provide support to its members in knowledge building through regular educational programs and encourage maintenance of industry standards and professionalism.

2. Principal accounting policies

   2.1. Basis of accounting and preparation of financial statements
   
   The financial statements, which are expressed in Euro, have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (EU). The financial statements have been prepared using the historical cost convention. A summary of the significant accounting policies adopted by the Association are as follows:

   2.2. Subscription income
   
   Subscription income receivable is recognised on an accruals basis.

   2.3. Donations
   
   Donations are recognised as income in the period they are confirmed.

   2.4. Other receivables
   
   Other receivables represent amounts due from members for subscription and registration fees.

   2.5. Cash and cash equivalents
   
   Cash and cash equivalents are considered by the Association to be the cash in hand and at bank less bank overdrafts. In the statement of financial position, bank overdrafts are included in loans under current liabilities.

   2.6. Other payables
   
   Other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

   2.7. Deferred income
   
   Deferred income represents subscription and registration fees that have been received by the Association during the year in relation to income of the next year. Therefore, deferred income has been recognised as a liability in the statement of financial position and will be de-recognised during the year the income relates to.
3. **Net financial income**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bank interest received (net)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

4. **Profit from operations**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operating profit is stated after charging the following:

| Auditors’ remuneration | 1,190 | 1,190 |

5. **Other receivables**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other receivables

|        | 31,760 | 9,200 |

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above. The exposure of the Association to credit risk and impairment losses in relation to trade and other receivables is reported in note 9 of the financial statements.

6. **Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bank balances

|        | 250,512 | 58,229 |

The exposure of the Association to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 9 of the financial statements.

7. **Other payables**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other payables

<table>
<thead>
<tr>
<th></th>
<th>2,000</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td></td>
<td>10,475</td>
</tr>
</tbody>
</table>

Accruals

|        | 12,475 | 5,039 |

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

8. **Deferred income**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At the beginning of the year

|        | 8,295 | 6,839 |

Deferred income for the year

|        | 173,115 | 1,456 |

At the end of the year

|        | 181,410 | 8,295 |

Cyprus Investment Funds Association (CIFA)
Financial Statements for the year ended 31 December 2015
9. **Contingent liabilities**
The Association did not have any contingent liabilities as at 31 December 2015.

10. **Financial instruments and risk factors**
The Association is exposed to the following risks arising from the financial instruments it holds:
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Association’s risk management framework.

The Association’s risk management policies are established to identify and analyse the risks faced by the Association, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association’s activities. Risk management policies are discussed below:

**Credit risk**
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Association has no significant concentration of credit risk and has policies in place to ensure that transactions are entered into with parties with an appropriate credit history and monitors on a continuous basis the ageing profile of receivables.

**Liquidity risk**
Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Association has procedures with the object of minimising such losses, such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

11. **Fair values**
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

The fair value of the financial assets and liabilities of the Association approximate those appearing on the statement of financial position.

12. **Events after the reporting period**
There were no material events after the reporting period which have a bearing on the understanding of the financial statements or could affect the true and fair view of financial statements as at 31 December 2015.