Private Equity Funds: An Opportunity for Cyprus

By Mr. Andreas Athinodorou
CEO of ATG Fund Services Ltd and a Director at Cyprus Capital Partners, and

Dr. Thomas Kingston
Founding Partner and CEO of Cyprus Capital Partners

With the second Investment Fund Summit successfully concluded on 31 May 2016, Cyprus has firmly entered the highly competitive investment funds arena. As a jurisdiction, this means direct competition with high quality and long-established fund centres such as Guernsey, Ireland and Luxembourg. The transposition of harmonising EU directives does level the playing field dramatically, and Cyprus has begun a critical period of developing a competitive legal and legislative framework within which investment funds established in Cyprus can operate, compete and even collaborate on a global level.

Cyprus has developed a very well-deserved, and hard earned reputation as a jurisdiction of international corporate structuring specialists. But investment funds are far more than just corporate structures. Investment funds are highly specialised vehicles used by some of the largest, and most dynamic industries on the planet. Industries. Plural.

Investment funds are defined by their asset class. Each asset class is a distinct industry, in and of itself, with particular structuring, regulatory and service requirements. Mutual Funds, are focused on large, diversified portfolios of public equities. They generally use a “long-only” strategy and are invested into by “retail” investors (the little old lady down the street). Hedge Funds are also focused on public equities, but use equity derivatives to go either “long” or “short” in the market, profiting even when equity prices, or entire indices, fall.

Real Estate Funds tend to be focused on either high risk land development, or on relative low risk management of large portfolios of properties. Infrastructure Funds also focus on real estate development, but in scale and are tailored for the very largest of investors.

And then there is private equity, an asset class that few people actually understand well, but which has
one of the most important impacts on economic development. And while all fund jurisdictions seek to attract the mutual fund and hedge fund celebrity status, it is Private Equity that offers truly long-term and wide-spread opportunities. Private Equity is also one of the few sectors of the investment fund arena that Cyprus offers more attractive advantages to than Guernsey, Ireland or Luxembourg could ever hope for.

**What is Private Equity?**

Generally, private equity refers to the share capital, or ownership, of private companies.  

The term, “Private Equity” also refers to an industry that makes long-term investments into private companies. Private Equity invests with a view to increasing the value of those companies in order to sell the shares they bought, and to make profits.

Because Private Equity focuses upon creating value in private companies, the industry has a substantial and positive effect on economic growth, employment and wealth creation. It is one of the largest sources of strategic investment capital in the world holding over $3 Trillion in assets under management (AUM) globally, with European Private Equity firms holding over €550 Billion in AUM.

Private Equity firms typically establish investment funds that raise capital from investors. Those investors tend to be large institutional investors seeking long-term returns, such as Sovereign Wealth Funds, pension plans, banks and insurance companies. More and more, large private offices and high net worth individuals are also attracted to private equity funds. The Private Equity fund pools the capital from those investors, and allows the Private Equity firm to invest this capital on behalf of their investors.

Private Equity is a long-term investment proposition, typically holding and managing an investment in a private company for 3 to 5 years. Investors in Private Equity funds will typically commit their capital for 5 to 10 years, or more. This long-term investment period allows Private Equity firms to take their time in achieving high rates of return.

The collapse of the debt-based economic model, resulting in the global financial crisis and subsequent EU sovereign debt crisis, has been a boon for private equity. According to the European Private Equity Association, 2015 was one of the best years for private equity firms in terms of raising money from investors.

**What does Private Equity Do?**

The Private Equity industry is characterised by firms that increase the value of the private companies they invest in. This is the fundamental nature of Private Equity investment: to generate capital gains.

To do this, the Private Equity firm searches for companies that are not achieving their full potential as businesses. Sometimes, the Private Equity firm identifies underperforming business units within larger companies that can be “spun out” as independent companies. Considerable effort and resources are spent identifying private companies that not only fail to perform as expected, but which can be improved. The Private Equity firm then negotiates a plan with the owners of those private companies, to invest capital and seek to improve business prospects and profitability.

The investment plan often includes the Private Equity fund taking a controlling stake in the company. That controlling stake allows the Private Equity firm to implement value creation strategies, enhance management, hire the most talented employees and generally to improve the company’s corporate governance and performance.

Private Equity firms typically hold their funds’ investments in private companies for a number of years, during which they actively pursue opportunities to sell their shares in those companies at a profit. These “divestments” or “exits” can take many forms, including selling the positions to the other shareholders or to the management teams that have worked hard to improve the companies (Shareholder and Management Buy Outs). Exits might also include selling to other strategic investors, other buyers seeking to expand their own business by acquisition or to other Private Equity funds that can take the companies to the next level. Finally, some Private
Equity firms may take their companies public with an Initial Public Offering (IPO) on a stock exchange.

Successful Private Equity firms will seek out, invest into, improve and exit from private companies many times over. With each fund, they will build a portfolio of investee companies and leave behind a successive list of former investee companies. The net effect is an industry few know, but so many benefit from.

When viewed from a company’s perspective, Private Equity seeks to build better businesses and to generate greater shareholder value for the owners. From a national perspective, Private Equity has an even greater, more significantly positive effect. Private Equity investment saves and creates jobs, enhances private sector stability and drives economic growth.

**Private Equity in Cyprus**

All of the advantages that made Cyprus a leading jurisdiction for the design and management of international corporate structures remain, intact, following the local Cyprus banking crisis. All of these are distinct advantages for Private Equity funds. Acquiring and holding unlisted corporate securities across borders for the purpose of realising capital gains, is the fundamental purpose of a private equity fund.

In addition, Cyprus offers a unique position geographically for access to large, diverse and adjacent global markets. Each of these markets are at the bottom of an economic cycle with large populations of private companies. Unlike Mutual Funds and Hedge Funds, these are fertile territories for private equity strategy. And, once private equity funds are well-understood, the similar qualities of Real Estate Funds and Infrastructure Funds can be exploited, making Cyprus a jurisdiction of choice for these fund managers as well.

By embracing the regulatory reforms now underway, developing an understanding of the asset class and the issues faced by private equity fund managers, Cyprus has a unique opportunity to establish itself in the investment funds arena. With its long-established knowledge of international corporate structuring, Cyprus may be able to stand on the EU’s level playing field with an unfair advantage that negates the momentum of its competitors in Guernsey, Ireland and Luxembourg.

Mr. Andreas Athinodorou has over 30 years of international experience focused on corporate finance, asset management solutions and global corporate structuring. He is a co-founder and the Chief Executive Officer of the Aspen Trust Group, an international fiduciary group based in Cyprus. His experience in wealth management solutions, administration of alternative investment funds and cross-border investment structures offers invaluable insight to Cyprus Capital Partners. He is a founding member and a member of the board of directors of CIFA.

Dr. Thomas Kingston is the founding partner and CEO of Cyprus Capital Partners. He has nearly 20 years of international experience focused upon the design and implementation of investment programmes and structures for cross-border acquisition and management of multi-billion dollar venture capital, private equity, real-estate and capital markets portfolios. His Private Equity track record has been developed within the context of economic development, food security and growth/expansion programmes operated by some of the world’s largest private and State-owned investment groups.

**Legal Updates of CySEC’s Latest Consultation Paper**

By Ms Marie-Helene Angelides  
Senior Associate, Legal Advisor, International Tax and Corporate Services, KPMG Limited and  
Ms Christi Kythreotou  
Advocate, Colocassides Hadjipieris LLC  

On the 22nd of April a consultation paper ΕΣ (2016-03) (the CP) was issued by the Cyprus Securities and Exchange Commission (CySEC) in connection with proposed amendments to the Alternative Investment Funds Law of 2014 (AIF Law) and the Alternative
Investment Fund Managers Law of 2013 (AIFM Law), as summarized below, which aim at enhancing our legal framework and product offering to meet the evolving industry needs post AIFM Directive 2011/61/EU era (AIFMD).

The sub-threshold Alternative Investment Fund Manager (AIFM)

In line with the European legislation and approach adopted in other fund jurisdictions on the regulation of the manager instead of the product, the CP introduces a licensing and supervision regime for the sub threshold AIFM - so called Mini Manager - falling under the exemptions of the AIFMD and thus leaving its regulation purely to national law.

On the basis of the CP the Mini Manager shall be permitted to manage: (i) Alternative Investment Funds (AIFs) with limited or unlimited number of persons under the AIF Law, (ii) registered AIFs taking the form of a limited partnership (see below) and (iii) non-Cypriot AIFs (subject to the discretion of such competent authority in the jurisdiction of the AIF).

The proposed provision addresses the organisational and conduct of business requirements with at least two suitably experienced persons in control of the business and an independent compliance function being required as well as financial resources rules. The minimum share capital though is yet to be determined.

It is essential that the rules to be adopted will not prevent the Mini Manager authorisation from being “competitive” and that regulatory compliance and disclosure requirements will not be disproportionately burdensome compared to those applying to a full scope AIFM license under the AIFM Law. Where appropriate, combinations of functions shall be possible (eg. portfolio management and risk management) provided relevant safeguards mitigating any conflicts of interest are in place. Also the internal audit function should not be made mandatory but dependent on the nature, scale and complexity of the business.

Following the example of Malta, a matter worth examining is that of permitting the Mini Manager to additionally perform investment services under a “dual authorisation” as i) Mini Manager under the AIFM Law and ii) under the Investment Services and Activities and Regulated Markets Law 144(I)/2007. With the dual authorisation Cyprus Investment Firms will be able provide “collective” portfolio management - with income from such activities exceeding the unofficial 10% threshold of their total income - as well as brokerage services, and will not need to establish a separate entity which would be inefficient and costly.

Changes relevant to AIFs set up as in the form of a Limited Partnership

The CP provides for changes that will enable the general partner of a limited partnership to elect upon its establishment for legal personality while maintaining the tax transparency status. This change will allow for internally managed limited partnerships and funds of funds structures.

The CP further addresses the adoption of non-management safe harbours in the form of a list of actions that may be undertaken by the investors as limited partners and not be deemed acts of management and thus threatening their limited liability status. Safe harbours will contribute to enhanced legal certainty for investors.

These developments are expected to contribute to the attractiveness of the Cyprus limited partnership as a fund vehicle; limited partnerships are governed by common law principles and case law and investors appreciate the freedom of contract and the efficient enforceability of the limited partnership agreement.

Registered Alternative Investment Funds (RAIFs)

The CP introduces a regime for “registered” but not authorised AIFs which shall facilitate quicker and efficient launch at reduced cost. The setting up of a RAIF will need to be notified to CySEC and be included in a special register that shall be maintained. RAIFs shall be governed by mandatory rules set out in the AIF Law and compliance with such rules shall be the responsibility of the fund manager. This regime is similar to the Luxembourg “Reserved Alternative Investment Fund”, Malta “Notified AIF” and Guernsey “Led Manager”.
RAIFs shall have the following characteristics:

- may take any legal form available under the AIF Law;
- be open or closed-ended;
- may invest in any type of assets and follow any type of investment strategy;
- have a full scope Cyprus or EU AIFM (thus distribution of units of the RAIF through passport shall be possible);
- be addressed to professional investors and/or well-informed investors;
- umbrella structures shall be possible.

According to the CP the portfolio of RAIFs must be managed according to the principle of risk spreading. However, it is suggested as such rules should not be applicable so as to give a comparative advantage to Cyprus RAIFs and more flexibility in terms of the utilisation of such vehicles (e.g. for the purposes of investing in one or more specific projects).

If the RAIF is to become competitive, the relevant notification procedures must be efficient and sufficiently clear, consistent and certain to meet the expectations of promoters. It is recommended that CySEC examines carefully the procedures adopted by the jurisdictions which appear more effective in particular time wise than those suggested in the CP.

Lastly, as an exception to the general approach that RAIFs shall be managed by full scope AIFMs the CP provides that the management of RAIFs taking the form of a limited partnership may also be undertaken by other managers (i.e. Investment Firms, UCITS Management Companies as well as the Mini Manager). In such case the RAIF must necessarily be closed-ended and invest in illiquid assets. Whether the last mentioned types of managers should be allowed to manage funds taking the form of a limited liability company but which satisfy the above criteria is a matter that the regulator might need to consider seriously taking into consideration the attractiveness of the corporate structure.

Conclusion

Key factors for fund managers and promoters when choosing a jurisdiction to domicile their funds are the strong legal and regulatory framework of such jurisdiction, the tax structuring possibilities and the regulatory sophistication, accessibility and responsivenes of the regulator. There is no doubt that the proposed changes will improve and strengthen the law regulation and attract the interest of both fund managers and investors. Yet there is scope for improvement of the legal and regulatory framework for entities providing relevant services and infrastructure; in particular the depository in terms of eligibility and role depending on the type of AIF and the fund administrator. The regulator needs to take a comprehensive approach aiming to maximise the options available for fund managers to structure their operations.

Ms Marie-Helene Angelides studied in France and the United Kingdom where she obtained postgraduate degrees in Business Law and Comparative Law. She joined the International Tax and Corporate Services department of KPMG in 1998. She has been a Senior Associate since 2012. She has participated in numerous corporate re-organisation and restructuring operations, as well as shareholder's arrangements and legal due diligence reports mainly on an international level. She has specialised the last 5 years in the financial services area with particular focus on structuring and formation of investment funds and asset management companies. She is a member of the Legal and Regulatory Committee of CIFA.

Ms Christi Kythreotou holds an LL.B and an LL.M degree (both from the University of Bristol) and a European Master in Law & Economics (University of Bologna & University of Hamburg). She qualified in 2005 and practices as a lawyer at Colocassides, Hadjipieris LLC. Her main areas of practice are: financial services law, financial law, corporate law, banking law, taxation law and commercial law. She has experience in investment fund formation and advises on issues relevant to their lifecycle and activities. She is a member of the Cyprus Bar Association and the Legal and Regulatory Committee of CIFA.
OECD CRS/DAC2: New Obligations for the Cypriot Asset Management Industry

By Mr. Panayiotis Tzongouros
Manager, International Tax Services, EY

During the recently held International Funds Summit in Limassol, a number of notable speakers highlighted the challenges posed to the asset management industry by the Automatic Exchange of Information regimes, namely the US Foreign Account Tax Compliance Act (FATCA) and the OECD’s Common Reporting Standard (CRS). Looking more closely at the two aforementioned regimes, one can note that while CRS is to a great extent based on FATCA for ease of implementation, it nevertheless has a much broader scope and an increasingly international remit. Viewing the CRS as a largely FATCA-like regime with limited changes and requiring limited action would be far from accurate. This article aims to offer a general overview of the additional obligations faced by the Cypriot fund managers and investment funds as a result of the introduction of CRS.

In 2014, the Republic of Cyprus has co-signed, together with other jurisdictions, the CRS Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA). In 2016, the Cypriot Minister of Finance issued a Decree for the application of the MCAA, which implemented the provisions of the CRS in Cyprus. Moreover, Cyprus, as a European Union Member State, has implemented Directive 2014/107/EU (DAC2) in its national legislation, by amending the provisions of the Law for Administrative Cooperation in the Field of Taxation Law of 2012.

As noted above, CRS and FATCA resemble each other in a series of issues and thus in an identical fashion to FATCA Cypriot fund managers and investment funds are likely to fall under the definition of a Financial Institution for CRS purposes. Nevertheless, significant differences exist. A fundamental difference between FATCA and CRS relates to the reduced scope of the FATCA deemed compliant entity status for status for investment managers as non-reporting financial institutions. In practice, under FATCA many players of the asset management industry have been classified as deemed compliant, non-reporting financial institutions. CRS in fact limits the types of deemed compliant entities that will qualify as non-reporting financial institutions and the qualification criteria for a non-reporting financial institution appears unlikely to be met by investment managers. As a result, entities which have been classified as deemed compliant under the current framework will very likely need to comply with the CRS rules.

Cypriot fund managers and investment funds that have registered for FATCA as Reporting Financial Institutions and pursued FATCA compliance initiatives, will now have to complement their efforts, leverage on their FATCA infrastructure and meet additional CRS obligations in different work streams such as the below.

I. On-boarding procedures and documentation

CRS requires the identification of investors’ tax residence(s) and the determination of the CRS status of entity investors. Relevant information should be collected and validated prior to accepting a new investment/subscription. Cypriot fund managers and investment funds may therefore need to amend existing documentation, particularly if their current self-certification procedures are based on the US Forms W-8 or W-9. They may also need to increase resourcing and train their internal resources to address CRS relevant account opening issues. This also raises the need for setting clearly the duties and responsibilities of administrators, intermediaries and fund managers.

II. Customer experience

Under FATCA, investors were simply required to prove that they were not Specified US Persons. Under the broader and more global ambit of CRS, investors will most probably come across new documentation, additional requests relating to tax
residency, notifications from the Financial Institutions that they will be submitting reports to local tax authorities and possibly in the future correspondence from tax authorities with queries relating to CRS reports and investor tax returns.

A major consideration for Cypriot fund managers and investment funds will be to what extent they may provide support and assistance to their investors with respect to queries, communications from tax authorities and to what extent they may provide explanations related to the reporting framework, having in mind that Financial Institutions are explicitly prohibited from providing any tax advice.

III. Tax compliance obligations

Cypriot fund managers and investment funds now have to comply with both domestic registration (when it will become mandatory in Cyprus) and annual reporting obligations to the Cypriot Tax Department.

IV. Compliance assessment and audit

Cypriot fund managers and investment funds need to establish monitoring and audit trail procedures that demonstrate compliance with all CRS related aspects, in accordance with the Cypriot CRS related legislation. In practical terms, managers and investment funds should consider whether their fund administrators should retain such records and ensure that such records and evidence is readily available when requested by the Cypriot Tax Department.

V. Systems and IT

Update of systems and IT will be required for achieving CRS compliance. Even if certain fund managers or investment funds rely on 3rd party providers they should still make sure that their commercial counterparties possess the capacity to deliver CRS compliant solutions, as the ultimate responsibility for CRS compliance lies with the managers and the funds themselves.

Conclusion

It is evident that CRS is a serious challenge to the Cypriot asset management industry. Cypriot fund managers and investment funds will need to leverage on their FATCA efforts and substantially invest aligning their policies, procedures, resources and systems with the prescribed by the CRS legislation rules, should they wish to avoid distractions to their strategic and commercial model and to their reputation.

Panayiotis obtained a Bachelor of Laws degree from the University of Bristol and an Advanced Masters in International Taxation from the International Tax Centre of Leiden University. Since 2015 he is working as a manager with the International Tax Services of EY Cyprus. Currently he is working in tax advisory matters with a focus in automatic exchange of information. Amongst others, his work involves the preparation of pragmatic CRS solutions for Cypriot and European financial institutions and the performance of gap analysis with FATCA requirements. Panayiotis also participates in the Tax Technical Committee of CIFA.

The 4th AML Directive

By Mr. Alexios Kartalis
General Manager, GMM Global Money Managers Ltd

The EU has developed since many years an AML framework, with the submission of relevant directives. These directives have been transposed to national legislation in the member States. Currently the 3rd AML Directive is in place (2006/70/EC).

However, and despite the substantial progress made, flows of illegal funds still exist and harm the integrity of financial markets. Money laundering, terrorist financing and organized crime are significant problems that have to be dealt at Union level.

The freedom of capital movement, the freedom to supply services and the technological achievements (mainly the evolution of internet), while they are all positive and welcome are unfortunately exploited by outlaws. Additionally, the threats are becoming international and expand beyond the borders of specific countries.
That means that efforts at national level are not enough anymore and international coordination at EU level is needed.

For these reasons, the EU deemed appropriate to proceed to an amendment of the 3rd Directive in order to strengthen the AML practices.

So the 4th AML Directive was born last year and will come into effect in 2017.

The main purpose of this 4th AML Directive is to strengthen the EU anti-money laundering equipment and align the rules in the Union with the FATF recommendations.

The new directive applies to a number of entities that were not subject to the provisions of the 3rd Directive, such as lawyers, accountants, etc. It also extends to services like trading of goods.

In general terms the new directive remains in the same line as the 3rd one (currently in place), but enlarges its scope to incorporate the latest FATF recommendations.

There have been amendments and changes in the following six areas:

- Introduction of the concept of the Risk Based Approach
- Obligation to reveal beneficial owner information
- Changes in the treatment of Politically Exposed Persons (PEPs)
- Changes in policies and procedures
- Changes in the penalties regime
- Changes in the cash payments

Let’s have a closer look in these areas where changes are about to occur, before getting into the details of the Directive.

**Introduction of the concept of the Risk Based Approach**

The Directive foresees that member states should conduct risk assessments at country level. They should identify the major compliance risks in their territory. The results of this analysis should be made available to the supervised entities, so that they better understand how to identify, manage and mitigate their risks.

At the same time the Commission will conduct the same analysis at the entire EU level. This analysis will be reviewed every two years in order to support member states to better tackle AML challenges.

In the 3rd AML directive there was an automatic entitlement for simplified due diligence (SDD) for a number of entities (for example listed banks, etc.). When supervised entities had such a client, they could apply SDD without any other condition.

Now things will be different. The various entities will need to judge and determine the level of risk that a client creates, prior to applying SDD and it should be able to prove the rationale for this decision.

Regarding the bookkeeping requirements, the 5-year retention obligation is maintained, but the new directive specifically mentions that any personal data should be deleted, unless otherwise required by national law, or there are money laundering suspicions.

**Beneficial Ownership**

The obliged entities will be asked to identify the controlling owner (holding > 25%) of a business and record this information to a specific registry. If no such owner is identified a senior manager will need to be identified. Additionally the 4th directive forbids the issuance of bearer shares and gives entities nine months to turn them to register.

**Politically Exposed Persons (PEPs)**

The new directive broadens PEP definition and details the way the Enhanced Due Diligence (EDD) should be carried out. There is a differentiation between a domestic and foreign PEP. A domestic PEP is one entrusted with a high profile public provision within the EU, while a foreign one outside the EU. When someone stops being a PEP, obliged entities should for the subsequent 12 months continue considering that the same level of risk is created.
The supervised entities should make sure that they are able to identify PEPs and apply the relevant EDD. Additionally, they may consider different risk treatment for the domestic PEPs that are also coming from the country where the entity is based.

**Policies and Procedures**

Supervised entities should update their procedures to catch the new requirements for beneficial ownership, PEPs, Enhanced Due Diligence, etc. On top of that they should clarify their risk appetite towards PEPs from their territory, but also the ones outside EU.

**Penalties**

The 4th directive sets out a framework for minimum penalties, regarding breaches in the areas of due diligence, suspicious transactions reporting, bookkeeping, controls, etc.

These penalties include public reprimand, deprivation of performing an activity, authorization suspension and fines equal to the double of the amount earned or at least 1 million. Regarding banks the 3rd directive did not specify and define penalties. The new directive sets out a maximum of 10% of the annual turnover, or 5 million.

**Cash Payments**

The new directive is also applied to traders of goods that make or receive payments in excess of 10,000.

**Conclusion**

The 4th AML directive although it does not dramatically change the scene it brings certain improvements compared to the 3rd one.

Member states should transpose it to national law by June 26, 2017.

Mr. Alexios Kartalis graduated from the Department of Statistics of Athens University of Economics and Business (ex A.S.O.E.E) and received an MBA in Finance from ESCEM. He is a certified derivatives clearer from the Athens Exchange and holds the Advanced Certification from CySEC. He started his career with Citibank Athens in 1994, and starting in 1997 he worked at BNP Paribas Securities Services Athens, initially as Head of Securities Operations and then as General Manager. From September 2013 till today Mr. Kartalis works as General Manager in GMM Global Money Managers Ltd, a Cypriot mutual funds management company.

**Enhancing the Cyprus Position Globally in the Investment Funds Industry**

*Summary of Thesis prepared by a group of students enrolled in the MBA program of University of Cyprus with the guidance of Professor George Nishiotis*

It is generally accepted that the international contemporary financial industry can be characterized as a dynamic, complex and challenging environment. Moreover, it is worth pointing out, that the global investment funds industry has undergone intense, severe and fundamental changes over the past decades. Now more than ever, it is crucial to try to find ways to enhance Cyprus reputation as an excellent business financial centre in order to improve and promote its financial industry, especially the investment fund industry.

For the purpose of our MBA applied project, we have examined various competitive jurisdictions in terms of their tax and legal environment and their investment fund industries’ structure in order to benchmark it with Cyprus and be able to extract recommendations that could potentially help Cyprus to enhance its international position.

The derived recommendations of our study include the following.

**Enhancement of the reputation of Cyprus as a transparent and fair tax jurisdiction**

Boosting and strengthening the reputation of the country is not an easy thing to do in the contemporary business world. A synchronized, continuous and constant effort of everyone involved is needed. Some measures for achieving this goal could be the strict practice of the EU Directive of the Code of Conduct on destructive tax practices and rules or the Anti-Money Laundering legislation, Markets in Financial Instruments Directive (MiFiD), and Transparency Law.
Utilization of the existing European Funding for the Investment Industry

There are numerous European Structural Funds and European Investment Funds from which European countries have the opportunity to pursue and fully utilize, such as the new European Long Term Investment Funds (ELTIFs) given by the so called Junker Investment Plan for Europe. ELTIFs are the new European regime for Alternative Investment Funds. Their aim is to channel their raised money into the European economy, as long as they are in line with the main EU objectives of smart, sustainable and growth.

They might include investments in long-term assets such as in small and medium-sized businesses for the development and operation of infrastructure, in public buildings, social infrastructure, in transport, in sustainable energy and in communications infrastructure.

They can take many forms such as Real Estate Funds (i.e. nursing schools, hospitals, houses etc.); Debt Funds; Real Assets; Infrastructure Funds (i.e. pipelines, renewable energy etc.); Private Equity Funds and Umbrella funds.

Improvement of Marketing of the Investment Funds

Many of our competitive jurisdictions provide marketing material in different languages such as Arabic, Chinese and Russian. As a complimentary measure, there is a need of developing a front office resourced with multilingual personnel who will give support to the prospective investors. This strategy is adapted widely by the FX industry and has been proven to be successful.

Moreover, the CIFA website could be improved in order to become more user-friendly and its content should be categorized and enriched similar to the new Cyprus Investment Promotion Agency (CIPA) website.

Cyprus Securities and Exchange Commission (CySEC) – Improvement of General Procedures

CySEC should provide practical guides and directions for the establishment of funds. This would make the procedures more transparent and would help attract more funds. Furthermore, it would be beneficial to investors if there were some published timeframes that they could rely on. In addition, CySEC website could be enriched by integrating the functionality to apply through the internet and track the authorization process online. Finally, CySEC could provide a fast-track procedure for investors that meet specific prerequisites.

CySEC – Cooperation of Private and Public Sector

Cooperation between the private and public sector would be mutually beneficial and would create synergies towards the common goal of improving the role of Cyprus as an investment fund jurisdiction. A remarkable example is the cooperation of the Institute of Certified Public Accountants of Cyprus (ICPAC) collaborating with various Departments of the Ministry of Finance to help the government with the restructuring of public sector and the conducts with Troika. In a similar fashion, CIFA is willing to help the government and particularly CySEC by voluntarily offering its expertise and personnel whenever there is a need.

Design a Customized Corporate Structure for Investment Funds

The design of a specific corporate structure which would distinct usual companies from investment fund companies could give rise to several different advantages for the Cyprus funds industry. Such structure has been introduced by Ireland, in March 2015. Its main advantage is that it removes many of the provisions that are more suited to a trading company. Subsequently, it is not impacted by amendments to certain pieces of European and domestic company legislation that are targeted at trading companies rather than investment funds and vice versa. Such structures could be registered solely in CySEC, eliminating the need to register in the registrar of companies.

Provision of Various Levels of Alternative Investment Funds (AIFs)

Cyprus could provide a “lighter” regulatory regime that offers more flexibility than UCITS and AIFs. The application of such funds would be attractive to some institutional & professional investors that
have different investment needs.

**Introduction of Islamic Funds**

The Islamic Funds are growing at a fast pace and show to have great potential. Cyprus can take advantage of its geographic position, neighbouring to the Middle East, its good relationship with many of the countries in the region as well as its EU membership to attract investors by promoting the Islamic Finance regime.

**Establishment of a One-Stop Shop for Investments Funds**

A useful service that the Cyprus Government should offer to potential investors could be the creation of One-Stop Shop that could integrate all the necessary departments to allow a potential investor to get awareness of Cyprus’ tax and legal environment and be able to initiate all the procedures necessary to register a fund.

*The complete report is an Applied Business Project conducted by Aristos Karafotias, Christos Evangelides, Katerina Antoniou, Mary Ioannou, and Stelios Mousouros in the MBA program for the University of Cyprus. The authors of this report, would like to thank CIFA, their supervisor Dr. George Nishiotis, CIFA’s Board Secretary Mr. Marios Tannousis, CIFA’s Vice President Mr. Ioannis Gaiganis, CIFA’s Board Member Charles Charalambous and CySEC Officer Koulla Panayi for providing them with useful information and for their helpful discussions and suggestions.

Aristos Karafotias holds a BSc in Computer Science and a Master’s Degree in Business Administration (MBA) from the University of Cyprus. He started his career as a Manager and Information Systems Technician in the Food Service Industry at Pepe Burro Group of Restaurants. He currently works in the Cyprus Telecommunications Authority (CYTA) as a Customer Service Officer.

Christos Evangelides holds a BSc in Maritime Business and Management from the Liverpool John Moores University and an MBA from the University of Cyprus. He worked as a trainee in Columbia Ship-Management and later on as a Crew officer in IONA Ship-Management. He currently works in the Underwriting department of Gan Direct as an Underwriting assistant.

Katerina Antoniou holds a BSc in Mathematics and Statistics and a Master’s Degree in Business Administration (MBA) from the University of Cyprus. She has achieved to pass with distinction in all levels of LCCI examinations for book-keeping and accounting. She currently owns and operates a private institute of mathematics in two different locations of Larnaca.

Mary Ioannou is a qualified Certified Accountant (FCCA), member of the ACCA international accountancy body and also a member of the ICPAC in Cyprus. She was also for two preceding periods a member of ICPAC Public Sector Committee, acting as Secretary. She also holds a Bachelor degree and a Master degree in Business Administration. She is currently an Accounting Officer in the Treasury Department of the Republic, seconded in the Directorate of European Programs, Coordination and Development.

Stelios Mousouros holds a BSc in Information Technology in Organizations from the University of Southampton and an MBA from the University of Cyprus. He started his career as a Management trainee in CTC Plc while later promoted as a Project Manager in the Philips Lighting Division. He currently works in the Consulting division of Deloitte as an Assistant Consultant and is pursuing the ACA qualification.