FOREWORD

This is the First Annual General Meeting Report since the establishment and registration of the Cyprus Investment Funds Association (CIFA or Association) on April 29, 2013.

In March 2010, the mobilization of the Funds Industry forced the formation of a coordinating body in order to follow developments and work closely with Regulatory authorities and competent Government Services. Thus, upon the initiative of the Cyprus Investment Promotion Agency (CIPA), an Expert Advisory Group for Investment Funds was formed.

The Advisory Group, with the encouragement of CIPA and leading Funds Industry stakeholders took the initiative to establish CIFA in February 2013, which after application was officially registered as an Association under the Associations and Foundations Law of 1972.

Since then the CIFA Board of Directors has been working diligently to establish the Association as the representative body of the investment funds industry in Cyprus, with an emphasis to provide technical insight and information on recent developments to Members, represent the industry at an international level, assist in the formulation of the Cyprus regulatory framework and actively participate in the promotion of Cyprus as an attractive funds jurisdiction.

The last year has been a truly successful one, with the Association having completed a number of initiatives, such as the following which are further described in this Annual Report:

- Establishment of the Technical Committees
- Launching of the CIFA Newsletter
- Launching of the CIFA Website
- Holding of the Members’ first orientation and information meeting
- Holding of CIFA’s Official Inaugural Event
- Application for Membership to the European Funds and Asset Management Association (EFAMA)
- Advocating for legal reform and harmonization with EU relevant Directives

Capitalizing on what has been achieved so far, our efforts for the next 1-3 years will concentrate on four major themes, in line with CIFA’s Mission and Constitutional Objectives:

i) Funds industry development and promotion
ii) Membership base development
iii) Members’ technical guidance and capacity building support
iv) Advocacy and voicing of the funds industry views and positions on major institutional and legislative matters.

I feel confident that the CIFA Board working closely with the Technical Committees will actively be involved in implementing the actions envisaged. I also call upon and invite all our Members, Corporate or Individuals, to get involved and be supportive of the various CIFA initiatives to assist the Association in fulfilling its Mission.
In conclusion I would like to express my thanks to the members of the Board and Technical Committees for their continuous cooperation and valuable contribution in achieving our goals.

Special thanks are also extended to the President and Board members of CIPA for their cooperation and support in promoting Cyprus as an attractive Funds jurisdiction, as well as the Ministry of Finance and the Cyprus Securities and Exchange Commission for their continued commitment in developing and establishing a robust funds industry environment in Cyprus.

THE ESTABLISHMENT OF THE CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)

The establishment of CIFA was first initiated by the Cyprus Investment Promotion Agency back in March 2010 when the Agency’s Board of Directors decided to set up an Expert Advisory Group on Investment Funds.

In this Group select experts were invited to participate in their personal capacity with the mandate to recommend measures for the growth of the Investment Funds Industry in Cyprus, as a priority sector.

A key recommendation by the Expert Group was the establishment of an Association of the Funds Industry stakeholders, a collective body that would undertake the initiative to formulate a national strategy and set goals in developing Cyprus into an attractive Funds jurisdiction.

Following CIPA’s endorsement of the recommendation, the Expert Advisory Group took the initiative to establish the Cyprus Investment Funds Association in February 2013, which was subsequently officially registered in April 2013 as an Association under the Associations and Foundations Law of 1972.

THE ASSOCIATION’S MISSION

CIFA is aspiring to become the voice and focal point of professionals and businesses alike working/offering services in the investment funds sector, while acting as a coordinator and catalyst for the development and promotion of Cyprus as a dynamic and reputable Investment Funds centre.

In this context CIFA Mission is to:

- **Provide support to its Members**
  CIFA's Technical Committees will analyse and discuss implications, challenges and opportunities presented by developments at both a local and international level. Related guidance papers will be issued to act as sources of reference to market participants.

- **Encourage maintenance of industry standards and professionalism**
  CIFA will encourage 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. Furthermore, CIFA will provide relevant training in order to further support the industry's growth and the development of best practices.
- **Be engaged in the development of related regulatory aspects**
  CIFA will monitor developments in the global industry and work closely with the government and regulatory authority in shaping regulations, both when required in light of regulatory developments at a European level as well as when needed to develop new products / services in order to remain competitive.

- **Promote the Cyprus investment fund industry**
  CIFA's ultimate goal is to promote the Cyprus investment fund industry. This shall be done locally by representing the industry in economic missions organised by the government and/or regulatory authorities, by hosting fund conferences, events and seminars, and by interacting with the media. Internationally this shall be achieved by promoting awareness through its involvement with industry associations and participation in industry conferences.

**THE BOARD OF DIRECTORS AND THE TECHNICAL COMMITTEES**

The first CIFA Board of Directors was elected on February 13, 2013 and consisted of nine highly experienced industry professionals reflecting the whole spectrum of the funds industry's activities, including fund management, banking, audit and legal.

Following an amendment of CIFA's Constitution in June 2013, the number of Board members increased to 13 which is the current composition of CIFA Board. Details of the developments in the composition and the names of CIFA Board appear in *Appendix A*.

To better fulfill its mandate, and best utilize the valuable experience of its members, CIFA established nine Technical Committees comprising of experienced industry professionals, with a mandate to follow developments at a local and international level, analyze and discuss implications, challenges and opportunities and recommend best policy options and course of action. Details on the composition and Terms of Reference for the nine Technical Committees appear in *Appendix A*.

**INVESTMENT FUNDS OUTLOOK**

*Global Picture*

The global investment funds industry has witnessed significant growth in recent years, a trend strongly anticipated to continue. According to available information published by the European Funds and Asset Management Association (EFAMA), as at the end of 2013 worldwide assets under management amounted to EUR 23.8 trillion with net assets of investment funds in Europe amounting to EUR 10.1 trillion. The totals include both Undertakings of Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) with the ratio in Europe being around 70:30 respectively.

The US enjoys a 50% market share, while important jurisdictions in Europe include Luxembourg (9.2%), France (4.7%), Ireland (4.4%) and the UK (3.6%).
Recent industry studies suggest that globally the funds industry will continue to grow with assets under management increasing by more than 40% by 2020. Europe is estimated to see an average growth of 3% annually in the coming years.

**Cyprus Investment Funds**

The Cyprus funds industry has been one of the fastest growing sectors of the financial services industry with assets under management having more than doubled in the last three years. In numbers the current state of the sector is as follows:

- Total assets under management of EUR 3.0 billion as of year-end 2013
- 102 funds as of September 2014 (99 ICIS plus 3 UCITS)
- 3 UCITS Management Companies and 2 AIFMs as of September 2014
- 170 Cyprus Investment Firms (MiFID) as of September 2014 - 67 are also authorised for portfolio management and have a reported EUR 2.2 billion under management as of year-end 2013
- 7 custodian banks
- More than 20 recognized Fund Administrators
- Significant presence of lawyers, accountants, listing brokers and other support services
- 51 double tax treaties, 5 pending signature and 22 under negotiation
- 19 bilateral MoUs, plus another 39 as part of the AIFMD implementation.

**CIFA Activities**

During the period under review the CIFA Board in the context of its Mission has embarked on a number of initiatives aiming as a first step at introducing the Association to the Cyprus funds industry stakeholders, networking with competent authorities and government services, and becoming member of recognized international bodies. At the same time, CIFA concentrated in advocating for the enactment of the necessary legislation that would bring Cyprus' legal framework to a level competitive to that of other major jurisdictions. In addition, activities were undertaken for promoting the advantages of Cyprus as a competitive funds jurisdiction.

**Technical Committees**

A major organizational and structural measure introduced in priority was the establishment of nine Technical Committees, as already mentioned (*Appendix A*).

**CIFA Newsletter**

The launching of CIFA's Newsletter in September 2013 was an important step in establishing a direct communication channel with the Association's Members, serving primarily the need to provide information on industry trends and developments and at the same time making CIFA known to a broader audience, thus having a positive impact on membership growth. The Newsletter is issued on a quarterly basis with invaluable
contributions from CIFA Members as well as government officials and regulatory authorities. So far four issues have been distributed, which are also posted on CIFA’s Website for easy reference.

CIFA Website

The CIFA Website, www.cifacyprus.org, launched in December 2013, is the main source of information, as well as a communication channel with members and the Funds industry in general in Cyprus and abroad.

CIFA Membership

Membership growth is a priority area for CIFA, especially at the current early phase of its lifecycle. To achieve positive results early on the Board organized two events and also promoted the image of the Association by participating in funds’ related events organized by other entities.

Other initiatives were also undertaken by the Board members, targeting high profile entities and individuals working in the funds industry and through communication with representative organizations and associations of professionals having activities or working in the funds industry.

The outcome of the above activities is reflected in the increase of membership from 26 founding members in February 2013 to 95 as at the end of September 2014. In addition, 45 legal entities have so far been registered as Corporate CIFA Members.

Events organized by CIFA

To raise the profile of the Association among the business community and bring all Members closely together, CIFA organized two major events.

In January 2014 CIFA held the first Member’s Orientation and Information Meeting during which participating Members were updated on the Association’s activities and the funds industry outlook at a local and international level. During this meeting the members of the Technical Committees had the opportunity to get together to discuss and plan their future activities in order to meet their mandate.

The CIFA Official Inaugural Event, organized in July 2014 at the Presidential Palace under the auspices of the President of the Republic was the most important and successful CIFA event, serving multiple goals. The event was addressed by the President of the Republic Mr. Nicos Anastasiades, and the Minister of Communications and Works, who is also a founding CIFA member, Mr. Marios Demetriades. The event was attended by more than 400 participants, representing at the highest level the Government, the House of Representatives, the regulatory and supervisory authorities, Embassies, as well as numerous organizations and professional bodies and leading businesses of the local funds industry.
**EFAMA Membership**

One very important achievement, marking a significant milestone in CIFA’s work in promoting the Cyprus funds industry globally is the decision of the Board of Directors of EFAMA to unanimously approve CIFA’s application for Membership. The application was submitted in January 2014 and was then followed by a special presentation made in April to the EFAMA Board in Brussels and a subsequent fact finding mission by an EFAMA delegation in Cyprus in May 2014.

The vote took place in June 2014 and as a result CIFA was granted the status of “Observer” for a transitional period of two years. This status gives the opportunity to CIFA to attend EFAMA meetings and have access to information relating to EFAMA activities.

The approval provides a vote of confidence in Cyprus as a fund and asset management center and acknowledges the sector’s ability to adopt changing legislative requirements and provide future growth for the Cypriot economy.

**Advocating for legal reforms**

Advocacy for reforms of the legal framework and harmonization with the relevant EU Directives is an ongoing important CIFA Board activity. In fact, there are remarkable developments in this area, since CIFA has taken the role of acting as the “technical arm” of the Government and regulatory authorities on related industry matters.

Recent major developments in harmonizing the Cyprus legal framework with the EU Directives on UCITS and Alternative Investment Fund Managers (AIFMs), as well as the enactment of a new law governing Alternative Investment Funds (AIFs), provide a legal framework competitive to that of other major jurisdictions.

**Building Members’ knowledge and professionalism**

Promoting knowledge and capacity building while maintaining high industry standards and professionalism is also an important action area for CIFA. Several initiatives of CIFA serve this purpose, including the CIFA Newsletters, events organized or supported by CIFA, and CIFA’s website which includes special pages for Members’ only access. CIFA has also initiated dialogue with local educational facilities so as to create and host annual training seminars which are now already advertised. A concrete example is the Conference organized in June 2014 by CIFA, CIIM and CySEC entitled “Promoting Cyprus as a Fund Jurisdiction”.

The Code of Conduct established by CIFA, provides directors of Cyprus investment funds with a framework of high level principles and best practice recommendations (Appendix B).

**Promotional Activities**

The CIFA Board has devoted considerable attention and efforts in the promotion of Cyprus as an attractive funds jurisdiction. So far, preparatory work undertaken aims to
enhance Cyprus’ image and attract the attention of international players to establish investment funds and/or asset management firms in Cyprus.

In this connection, the Guide on Cyprus Investment Funds was published in September 2014 in cooperation with “Country Profiler”, a specialized investment promotion Company.

In addition, members of the CIFA Board have represented the Association in world renowned international conferences, such as the MENA Investment Management Forum in Dubai and the EFAMA Investment Management Forum in Brussels.

**Strategy and Action Planning**

During the first year of CIFA’s lifecycle, the Board of Directors has worked diligently to establish the Association, raise its profile among the funds industry stakeholders, grow its membership basis, provide information and guidance to Members and actively advocate for the formulation of the national legal and regulatory framework.

Furthermore, having as guidelines the CIFA Mission and Constitutional Objectives, the Board discussed and decided on a high level Strategic Plan (Appendix C) for the next 1-3 years which very soon will be distributed to the nine Technical Committees for discussion and action planning of their own contribution according to each Committee’s mandate and Terms of Reference.

The CIFA Board has also prepared and submitted to the Ministry of Finance a Road Map and Action Plan of enhancements and actions considered as paramount in ensuring Cyprus attains a competitive position as a domicile of choice for the establishment of investment funds as well as asset management firms in Cyprus. The actions envisaged under this Plan will be a major part of the Action Planning under CIFA Strategy.

A brief reference follows on actions envisaged under the Strategy, providing a broad idea of the CIFA Board and Technical Committees’ next steps in the months to come:

- Strengthen CIFA’s image and presence on the International Investment Management arena;
- Host a CIFA International Conference under the auspices of EFAMA with the participation of Fund Managers originating from Europe, the Middle-East and the Americas;
- Represent CIFA in world renowned International Conferences;
- Attend the EFAMA Annual General Meeting;
- Expedite the immediate implementation of CySEC Directives to AIF Law;
- Identify through technical dialogue and propose punctual improvements to the AIF and UCITS legislation;
- Prepare public comments through the work of the relevant Technical Committees on areas of particular interest such as Money Market Funds, Shadow Banking, PRIIPs, MiFID II/MiFIR and their application to national legislation;
- Set up an ad-hoc working group between the Ministry of Finance, Tax Administration and CIFA, which will be discussing the work of CIFA’s Tax Committee on a quarterly basis;
- Propose further amendments to the current tax framework of funds and specifically the tax treatment of interest received by the fund;
- Design an improved model for asset management taxation including the treatment of asset management firms and a new carried interest regime.

The above actions are only indicative of the multiple tasks the CIFA Board, Technical Committees and CIFA Members are called upon to pursue in fulfilling the Association's mandate and mission in the next few months and years.
APPENDIX A – BOARD OF DIRECTORS AND TECHNICAL COMMITTEES

CIFA Board of Directors

The current CIFA Board is comprised of highly reputable industry professionals experienced in various fields that reflect the whole spectrum of the industry activities:

1. Angelos Gregoriades, President
2. Ioannis Gaiganis, Vice President
3. Chris Odysseos, Treasurer
4. Marios Tannousis, Secretary
5. Christoforos Antoniades, Member
6. Andreas Athinodorou, Member
7. Charles Charalambous, Member
8. Constantinos Papanastasiou, Member
9. Charalambos Phokas, Member
10. Omiros Pissarides, Member
11. George Rologis, Member
12. Demetris Taxitaris, Member
13. Andreas Yiasemides, Member

CIFA Technical Committees

The CIFA Board established nine Technical Committees, comprising of experienced industry professionals, which follow relevant developments at a local and international level, analyse and discuss implications and recommend best policy options and course of action. The ultimate goal is for Cyprus to remain at the forefront of related issues internationally, while continuously expanding and updating its product to meet market needs.

1. UCITS and AIFs Committee; Chris Odysseos, Chairman
2. Fund / Asset Management Committee; Demetris Taxitaris, Chairman
3. Cyprus Investment Funds Distribution Committee; Ioannis Gaiganis, Chairman
4. Fund Administration/Custodian Committee; George Rologis, Chairman
5. Legal and Regulatory Committee; Angelos Gregoriades, Chairman
6. Ethics & Risk Management Committee; Andreas Theophanous, Chairman
7. Tax Committee; Neophytos Neophytou, Chairman
8. Statistics and Fund Research Committee; George Martides, Chairman
9. Training/ HR Committee; Charles Charalambous, Chairman
**CIFA Technical Committees**

**Terms of Reference**

**UCITS & AIFs Committee.**

Follow all UCITS & AIFs related developments, translate these developments into information to CIFA members, support UCITS & AIFs related promotional activities and monitor best practices. In particular the Committee is expected to provide CIFA members with:

- Information on the authorisation procedure of Cyprus UCITS & AIFs and of the documentation required, including timelines and fees.
- Information on the electronic notification procedure of UCITS & AIFs cross-border marketing.
- Information on the issues, on which the Competent Authority focuses, when examining an authorisation and/or a notification application.
- A general brief of UCITS & AIFs related developments and their expected operational and commercial implications.
- Information on the discussions and/or decisions taken in major UCITS and AIFs conferences abroad.
- Information on the listing of Cyprus UCITS & AIFs.

**Fund / Asset Management Committee.**

The scope of the Committee is to monitor developments and exchange of information that relates to the Fund / Asset Management community and to develop standards and best practices in this field. In particular the Committee is expected to:

- Provide CIFA Members with information on the authorisation procedure of Cyprus UCITS & AIFs management companies and of the documentation required, including timelines and fees.
- Provide CIFA members with information on the electronic notification procedure of UCITS & AIFs cross-border management.
- Develop detailed guidelines that would define “best practices” for the asset/fund management industry by continuous benchmarking with the best of breed fund managers for the different types of investment funds.
- Promote a commitment to openness and transparency towards investors and catering for the investor’s interest.
- Follow closely the disclosure/reporting requirements.
- Promote proper fund governance.
- Disseminate information to members on all of the above issues.

**Cyprus Investment Funds Distribution Committee.**

One of CIFA’s main objectives is to establish Cyprus as a fund distribution platform to markets (CIS, Gulf/MENA) that are untapped by mature fund distribution centres. The scope of the Committee will be to propose to CIFA BoD and assist in implementing a strategy to achieve this goal. In particular the Committee is expected to:
- Propose strategic options targeted and actions to showcase Cyprus advantages as a Fund Distribution Center.
- Enter into communication and consultations with agencies from CIS, Gulf/MENA economies, in order to ensure the cross-border distribution of Cyprus UCITS and AIFs and encourage the establishment of such vehicles in Cyprus.
- Formulate the content of the CIFA Website, including that to be addressed to targeted non-EU markets, containing information on Cyprus Investment Funds and on the set-up of UCITS management companies or of AIFM Companies in Cyprus.
- Prepare the CIFA Newsletter providing information on the overall funds industry and the related Cyprus market developments.

**Fund Administration/Custodian Committee.**

The Committee will be devoted to analysing the operational issues arising mainly within the scope of activities of a fund administrator and of a custodian as well as regarding the organisational requirements to be met by fund manager. The Committee in particular is expected to:

- Issue recommendations as to the necessary infrastructure required to service each type of investment fund.
- Issue recommendations as to fund accounting and reporting issues depending on each type of investment fund.
- Issue recommendations on conflicts of interest and rules of conduct.
- Issue recommendation as to collateral requirements and issues linked to execution and clearing.

**Legal and Regulatory Committee.**

Monitor and share all legal and regulatory developments impacting the local and the European fund industry as well as the fund industry in established EU investment fund centres. In particular the Committee is expected to:

- Monitor developments at EU level and at main Investment Funds centers, by analysing the papers and guidelines of ESMA as well as any relevant bibliography, including publications by major law firms, industry associations, papers supporting EU legislative initiatives and relevant EU jurisprudence. At a second step, circulating the necessary information in an industry friendly manner and informing the members of CIFA on the practical implications of relevant developments.
- Review laws & regulations and recommend to CIFA’s Board proposals and amendments to be submitted to the regulator; in particular, analysis and submission of comments of any upcoming legislation both in terms of legal analysis and in terms of business impact of the intended regulation.
- Circulate memos treating special issues relating to the investment funds industry, which can be motivated either by the importance of an issue for the local industry or by its business impact internationally.
- Prepare guides and other industry papers explaining the applicable legal framework by also including comparative examples from other established investment fund centres.
- Analyse the interplay of UCITS & AIFS legislation with other related pieces of legislation, e.g. MiFID, Companies and Partnerships Law and AML legislation.

**Ethics & Risk Management Committee.**

The AIFMD and the current UCITS Directive set out the ethics boundaries and create a set of risk management rules and practices. The scope of this Committee is to monitor developments and translate such rules and practices into industry recommendations, adapted to the needs of each type of investment fund. In particular the Committee is expected to promote:

- A code of practice and ethical standards for fund managers.
- Risk management for UCITS.
- Risk management for AIFs, depending on their particular type.

**Tax Committee.**

The scope of the Committee is to monitor and share all tax developments impacting the local, European and International fund industry. In particular the Committee is expected to:

- Monitor new fund tax developments and their implications and issue circulars and other information papers.
- Monitor the taxation of investment funds and fund managers in established investment fund centres.
- Support CIFA's role in recommending a favourable tax regime applying to investment funds and fund managers.
- Develop recommendations as to the taxation of the various types of investment funds and of fund managers.

**Statistics and Fund Research Committee.**

Follow the research papers and publications at the EU and International markets level that are related to the fund industry and share important information. In particular the Committee is expected to:

- Collect, produce and share statistics and reports depicting the elements of the local, EU and International fund industry.
- Keep records and data up-to date.
- Provide international bodies and associations as well as interested institutional investors with data pertaining to the local fund industry.
- Analyze and share the movements of investment fund flows and trends across markets.
**Training/ HR Committee.**

The Committee will monitor and share information on the training developments in the Funds Industry at the local, European as well as International level and make recommendations on the training required for the various professional groups of the Fund Industry Cluster in Cyprus. The Committee in particular is expected to:

- Monitor and share information on local and international standards and best practices on training in the Funds Industry Sector.
- Identify training gaps and needs for investment fund professionals in Cyprus.
- Support and promote the developments of training programs tailored for CIFA membership.
- Recommend on the content of standardized training programs to be developed in cooperation with partners from industry, Universities, and other training institutes.
**APPENDIX B – CIFA CODE OF CONDUCT FOR CYPRUS INVESTMENT FUNDS**

**Guidelines**

The purpose of the CIFA Code of Conduct is to provide boards of directors with a framework of high-level principles and best practice recommendations for the governance of Cyprus investment funds. The Code is “principles” rather than “rules” based in that it relies upon good judgment rather than prescription. As such, the recommendations recognize that the “right approach” for many issues depends on the circumstances.

The Code is not designed to supersede applicable law and regulations.

In addition to this Code, CIFA may issue in due course detailed guidelines on specific issues, which require more practical guidance.

The Code has been introduced to formalize and encapsulate existing best practice in the light of the implementation of EU Directive 2006/46/EC into Cyprus law. This Directive aims to facilitate cross-border investment and improve EU-wide comparability and public confidence in financial statements and reports. Notably, the Directive calls for enhanced and consistent disclosures including an annual corporate governance statement as a clearly identifiable section in annual financial reports. The corporate governance statement should make clear whether the company applies provisions on corporate governance other than those provided for in law.

While the Directive strictly applies only to listed companies including listed funds, CIFA believes it is appropriate to extend the Code to all funds – listed or unlisted – in order to have a uniform and consistent approach in the marketplace. References to “fund” in the Code cover all types of regulated Cyprus undertakings for collective investment supervised by the CySEC, whether UCITS or non-UCITS (including ICIS) under whatever form, including VCC, FCC, Mutual Funds, IT. References in the Code to the “Board” are to the body responsible by law for managing, administering and supervising the relevant fund.

To improve transparency and demonstrate commitment to high standards of corporate governance, it should be best practice for Boards of Cyprus funds to confirm adherence to the Code in their annual financial statements. Such confirmation demonstrates to investors a Board’s explicit commitment to good governance.

**Introduction**

I. The Board should ensure that high standards of corporate governance are applied at all times.

II. The Board should have good professional standing and appropriate experience and use best efforts to ensure that it is collectively competent to fulfill its responsibilities.

III. The Board should act fairly and independently in the best interests of the investors.

IV. The Board should act with due care and diligence in the performance of their duties.

V. The Board should ensure compliance with all applicable laws, regulations and with the fund’s constitutional documents.
VI. The Board should ensure that investors are properly informed, are fairly and equitably treated, and receive the benefits and services to which they are entitled.

VII. The Board should ensure that an effective risk management process and appropriate internal controls are in place.

VIII. The Board should identify and manage fairly and effectively, to the best of its ability, any actual, potential or apparent conflict of interest and ensure appropriate disclosure principles.

I. The Board should ensure that high standards of corporate governance are applied at all times.

1. The Board is accountable to the investors for good governance.

2. The Board should ensure that sound management is in place.

3. The Board should discharge its functions soundly, honestly and professionally.

4. The Board should place emphasis on promoting transparency, good practices and conduct of business rules and efficiently manage conflicts of interest.

5. The Board should provide independent review and oversight, including effective oversight of delegated functions.

6. The Board should demonstrate leadership, integrity, ethical behavior and expertise.

II. The Board should have good professional standing and appropriate experience and use best efforts to ensure that it is collectively competent to fulfill its responsibilities.

1. The composition of the Board should be balanced so it can make well-informed decisions.

Members of the Board should therefore have appropriate experience, with complementary knowledge and skills, relative to the size, complexity and activities of the fund.

2. The Board should ensure that it keeps abreast of relevant laws and regulations and that it remains vigilant about evolving risks and market developments.

3. The Board may call upon expert assistance and/or create special committees for the proper fulfillment of its duties. The establishment of special committees should not affect the collective responsibility of the Board.

4. The members of the Board are expected to understand the activities of the fund and devote sufficient time to their role.

III. The Board should act fairly and independently in the best interests of the investors.

1. The Board should at all times put the interests of the investors first. In this context, particular care should be taken when affiliated parties are involved.
2. The Board should arrive at decisions taking into consideration, where possible, any broader potential impact of such decisions on the wider community and on market integrity.

IV. The Board should act with due care and diligence in the performance of their duties.
1. Board members should participate actively at Board meetings.
2. The Board is responsible for the fund’s strategy.
3. The Board should oversee the activities and the performance of investment managers and service providers.
4. The Board should ensure it acts on a fully informed basis.
5. Where required, the Board should seek external professional advice or information to assist it in its duties.

V. The Board should ensure compliance with all applicable laws and regulations and with the fund’s constitutional documents.
1. The Board should verify that adequate organization, procedures and safeguards are established to ensure compliance with all relevant laws and regulations and with the fund’s constitutional documents.
2. The Board should verify that regular monitoring of such compliance is in place and that it receives regular reports to that effect.

VI. The Board should ensure that investors are properly informed, are fairly and equitably treated, and receive the benefits and services to which they are entitled.
1. The Board should ensure that the information received by the investors about the fund, particularly with regard to the fund's investment objectives, risks and costs, is true, fair, timely and not misleading.
2. The Board should ensure that investors are kept informed of matters relevant to their investment in a form and language that is clear and easy to understand.
3. In particular, the Board should ensure that information relating to the fund's financial situation and performance be prepared and disclosed in accordance with relevant accounting standards (e.g. GAAP, IFRS) and applicable legal and regulatory requirements.
4. The Board should take into account the interest of all investors, in particular where Board decisions may affect investor groups differently.
5. The Board should ensure each investor complaint is reviewed and, if it is upheld, that redress is provided within a reasonable time.
6. The Board should ensure that investors receive the benefits and level of services to which they are entitled as defined by law, contractual arrangements and the fund's constitutional documents.

**VII. The Board should ensure that an effective risk management process and appropriate internal controls are in place.**

1. The Board should ensure that an appropriate risk management system is in place which appropriately covers all types of risks including but not limited to investment risk.

2. The Board should ensure that the risk management function is adequately staffed, or properly managed when provided on any outsourced basis.

3. The Board should ensure that there is an adequate and effective investment risk management process. It should be appropriately documented and formalized and should be regularly reviewed and revised when required. The Board should ensure that it receives regular risk management reporting.

4. The Board should ensure that the investment risk management process covers not only derivative instruments but also the overall portfolio of the fund. Furthermore, the Board should ensure that they understand the impact of any complex financial products on the risk profile of the portfolio and the aggregate exposure of the fund to these products.

5. The Board should ensure that the investment risk management process is exercised independently of the investment management activity.

6. The Board should ensure that investment managers and service providers comply with Compliance and Internal Audit obligations.

7. The Board should ensure these Compliance and Internal Audit functions are independent of the investment and operational processes.

8. The Board should require direct and immediate reporting on any material compliance issues.

9. The Board should ensure that the investment managers and service providers have appropriate business continuity plans in place.

**VIII. The Board should identify and manage fairly and effectively, to the best of its ability, any actual, potential or apparent conflict of interest and ensure appropriate disclosure.**

1. The Board should identify where its members’ interests (including related party interests) might conflict with the interests of the investors.

2. The Board should define the means to avoid, manage or disclose conflicts of interest, protecting the interests of the fund’s investors.

3. The Board should maintain sufficient autonomy to resolve conflicts of interest impartially.
APPENDIX C – CIFA STRATEGIC PLANNING

CIFA’s Mission in summary is to:

 Provide support to its members.
 Encourage maintenance of industry standards and professionalism.
 Be engaged in the development of related regulatory aspects.
 Promote the Cyprus investment fund industry.

In line with its Mission and Constitutional Objectives and taking on board the progress achieved so far, the CIFA Strategic Plan has been formulated around the following four themes:

i) Funds Industry development and promotion.
ii) Membership base development.
iii) Member’s technical guidance and capacity building support.
iv) Advocacy and voicing of the Funds Industry views and positions on major current legislative and institutional matters.

The above four themes are further elaborated taking on board the prevailing internal and external environment conditions as well as current and emerging developments internationally in the Investment Funds Sector.

**Funds Industry Development and Promotion.**

1. Create and maintain strong Legal, Tax and Regulatory framework.
2. Enhance awareness globally of Cyprus attractiveness as a jurisdiction for establishing funds and asset management firms.
3. Provide necessary resources both from the regulatory and operational standpoint.
4. Strengthen CIFA’s image and presence in the International Investment Management Arena.
5. Actively participate in EFAMA activities and jointly organising of Investment Funds events in Cyprus.
6. Include Funds in the Government Investment Immigration Programme.

**Membership base development.**

1. Make CIFA widely known to the Cyprus Funds Industry Professionals and related Service Providers.
2. Utilize the BOD Members professional network.
3. Present to Funds Industry leading companies the potential business growth and how investment in strengthening CIFA’s capacity will further enhance this potential.
4. Organise sponsored events.
5. Utilize CIFA’s website and newsletter.
6. Strengthen CIFA’s administrative capacity to better serve members and industry service providers interested in membership.
**Member’s technical guidance and capacity building support.**

1. Utilize Technical Committees conclusions, reports, positions, recommendation and guidelines through CIFA website and newsletters.
2. Establish a regular newsflash service to members on recent legislation and other developments affecting the funds Industry.
3. Enhance dialogue and cooperation with educational institutions for provision of professional /specialised training relevant to the Funds Industry Sector.
4. Organize local and regional seminars targeted to specific needs of Members.
5. Initiate dialogue with professional associations on organising regular training for their members.
6. Promote and enhance industry standards and professionalism.

**Advocacy and Voicing of the Funds Industry views**

1. Set up an ad-hoc working group of the MOF, Tax Administration CySEC and CIFA.
2. Establish CIFA as the technical arm of CySEC and MOF.
3. Establish industry technical dialogue platform.
4. Raise the profile of Technical Committees by offering informed comments and positions on areas of particular interest.