



CIFA

CYPRUS INVESTMENT FUNDS ASSOCIATION
ANNUAL REVIEW 2018



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President's Statement

On behalf of my fellow board members of the Cyprus Investment Funds Association (CIFA), I would like to extend my thanks to those who have enabled CIFA to grow and develop over the years. The support and cooperation of the Minister of Finance, Harris Georgiades, and Invest Cyprus has been integral in the creation and development of CIFA. My warm thanks must also go to the Cyprus Securities and Exchange Commission (CySEC) and to our Members for their continued support and trust. I want further to express my gratitude for the good work achieved by the CIFA Board Members and the Chairmen and Members of our 13 Technical Committees. Their positive business-minded approach shows that true professionalism and a constructive attitude are a valuable asset to our Association and the industry.

The recovery of the Cyprus economy is continuing at a robust pace, with real GDP growth rates of 3.9% in 2017, a 4% in the first quarter and 3.9% in the second quarter in 2018. This is due mainly to reforms that have resulted in a solid restructured and modernised state that ensures speed,

efficiency and transparency – re-establishing Cyprus as a reliable and robust business centre. These developments have also been recognised by the international ratings agencies, who have consistently revised their forecasts on Cyprus, with the overall positive outlook resulting in the upgrade of our economy to investment grade by S&P in September 2018.

Cyprus' financial services sector continues to expand in terms of size, reputation and attractiveness, backed by a resilient regulatory framework, prudent supervision, consumer protection, and strong anti-money laundering 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 remains an excellent base for international business, with a skilled workforce and wide network of double-tax treaties.

Cyprus' success in attracting FDI – €9 billion in 2014-2016 – was mainly in the sectors of real estate and in financial and professional services, including banking. Now interest has shifted on important niche areas such as start-ups and innovation, the audiovisual industry, thematic tourism and investment funds – and the positive momentum is expected to continue thanks to the continuous diversification of the economy.

As a European Union Member State, Cyprus benefits from the harmonisation of EU financial services regulations and serves as a convenient 'bridge' offering competitive access to Europe, the Middle East and Africa. Not simply by means of its geographical position, but also for the high quality of financial services offered, combined with the flexibility and clarity of its laws and regulations, which were modernised with the enactment of the Alternative Investment Funds Law in July 2014, and the recent upgrade in July 2018.

The global investment fund industry has witnessed significant growth in recent years, a trend strongly anticipated to continue. According to the European Fund and Asset Management Association (EFAMA), Europe ranks as the second largest market in the global asset management industry.

The Cyprus fund sector has become one of the most dynamic sectors of the economy, and the country is fast becoming a location of choice for many promoters and fund managers. 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.





Regulatory and government bodies actively promote Cyprus as a centre of excellence for the international fund and asset management industry and evidence of these efforts is the growing number of internationally recognised fund service providers established in Cyprus, ranging from global names to local independent operators, servicing all types of funds at very competitive rates. As a result Cyprus has seen formidable growth momentum, with assets under management more than doubling from €2.1 billion in 2012 to passing the €5 billion mark in 2018.

EU and euro-area membership combined with CIFA's membership in international organisations provides investors reassurance that they are operating within a rigorous legal framework that promotes transparency and protects investors. Among others, Cyprus implements the US Foreign Account Tax Compliance Act (FATCA) and was an early adopter of the OECD's Common Reporting Standard.

Looking at the country's geographical position, a fund manager operating from Cyprus can reach investors in the CIS and MENA regions with a population of nearly 700 million and with countries that are achieving positive GDP growth rates. This factor combined with Cyprus' tax incentives in place for fund managers have contributed to our industry gaining significant momentum from both local and international promoters. We are already recording an increasing number of new applications to set up investment funds and fund management companies, and have observed some European-based funds and AIFM redomiciling to Cyprus mainly due to the lower cost of establishing and maintaining their operations.

Our mission as CIFA, with more than 300 corporate and individual members, is to facilitate the constant upgrading of our legal and tax framework and service quality on all fronts to ensure investor protection. In carrying out this mission, CIFA has established 13 Technical Committees comprised of local market experts who analyse global industry developments. In cooperation with the Cypriot government and the regulator we promote legal and regulatory changes to keep Cyprus competitive among other funds jurisdictions around the world.

CIFA is closely monitoring EU developments and especially issues arising from Brexit. Cyprus is a reliable member of the EU and eurozone, an island of safety and stability offering opportunities for business, investment and cooperation, but it is also a country with a broader outlook and can be a strategic partner of the UK.

The role of our Association is reinforced by the Capital Markets Union initiative and from the fact that our Government has high on its agenda the desire to move from

a bank-dominated financial system to one with more diverse sources of financing including venture capital, crowdfunding and market-based finance. We fully support this initiative as retaining and increasing the attractiveness of the European package to non-European investors is paramount for EU capital markets to prosper and to attract additional investment and expertise internationally. We further support the regulation of the service providers for crowdfunding on a harmonised European level which is currently under review by our Regulator that will allow for the possibility of Cypriot crowdfunding platforms to passport their services to other EU states, thereby widening their prospective market and making the European market more competitive.

Lastly, CIFA represents the sector in economic missions organised by the Cyprus government around the world, and we take an active part in principal meetings of the global fund industry. As a full member of the European Fund and Asset Management Association (EFAMA), CIFA also actively participates in the organisation's quarterly meetings and contributes to the voice of the European funds industry. We believe we are well-placed to face the challenges that lie ahead, and we share the goals of growth and development for the industry, and look forward to continuing our collective efforts to develop Cyprus as a hub for investment funds.

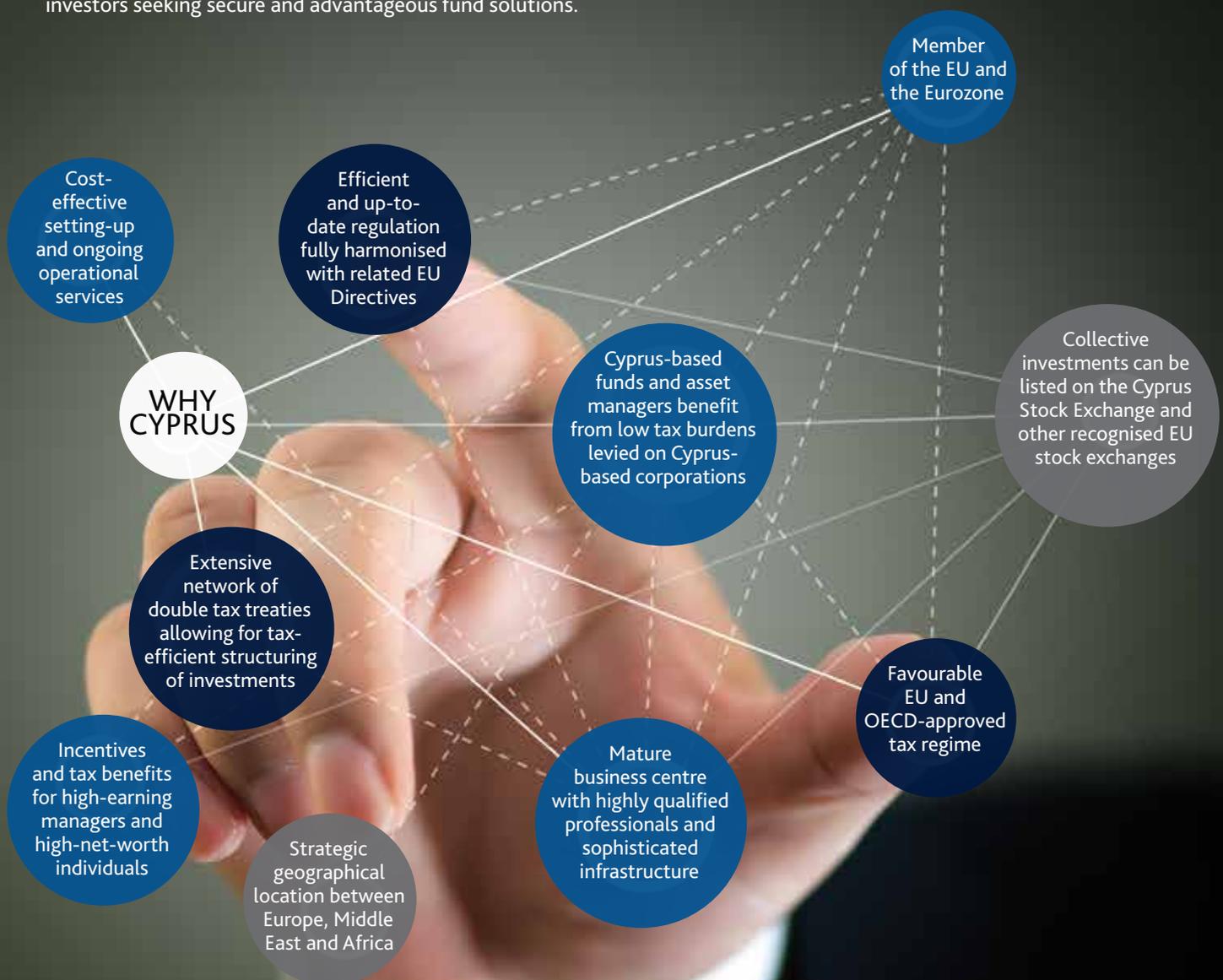
Cyprus' financial services sector continues to expand in terms of size, reputation and attractiveness, backed by a resilient regulatory framework, prudent supervision, consumer protection, and strong anti-money laundering mechanisms.

Angelos Gregoriades

President - Cyprus Investment Funds Association (CIFA)

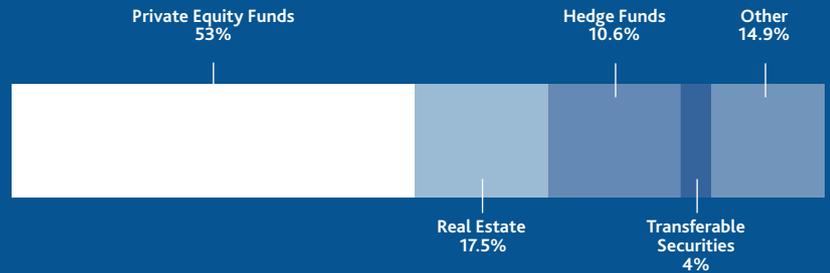
Why Cyprus

Cyprus is fast becoming one of the top emerging investment fund centres in Europe thanks to 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.



Cyprus Funds Sector

Assets under Management:
€5.7bn



Regulated Entities

Cyprus Investment Firms:

247

(+23 pending applications up to 31/10/2018)

Administrative Service Providers:

163

(+11 pending applications up to 31/10/2018)

UCITS

UCITS Management Companies:

4

(+1 pending application up to 31/10/2018)

AIFMs

AIFMs - External Fund Managers:

23

(+7 pending applications up to 31/10/2018)

Markets

Cyprus Stock Exchange (CSE):

1

Multilateral Trading Facility (MTF):

1

Sub-threshold AIFMs

AIF Fund (Internally Managed):

1

(+2 pending applications up to 31/10/2018)

AIFMs - Internally Managed Funds:

1

(+4 pending applications up to 31/10/2018)

Listed Companies

Issuers of Securities Trading on the CSE:

65

Issuers of Securities listed on other regulated Markets:

13

AIFLNP (Internally Managed):

61

(+22 pending applications up to 31/10/2018)

Externally Managed Funds

UCITS

9

(+3 pending applications up to 31/10/2018)

Special Purpose Entities:

9

(+1 pending application up to 31/10/2018)

AIF (Externally Managed):

25

(+20 pending applications up to 31/10/2018)

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)
- International Capital Markets Association (ICMA) - Associate Member

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
- MoU with the Chartered Institute for Securities & Investment (CISI)

AIFLNP (Externally Managed):

39*

(+8 pending applications up to 31/10/2018)

*includes one EuVECA



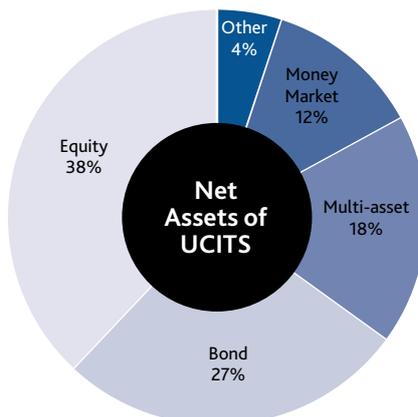
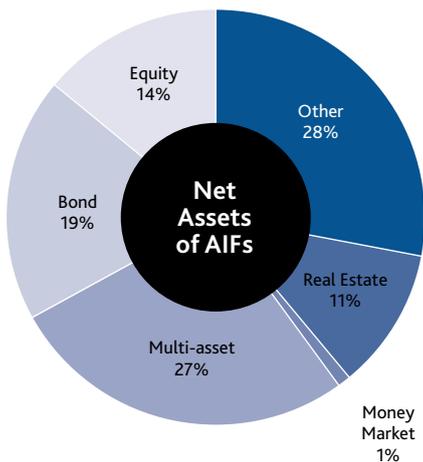
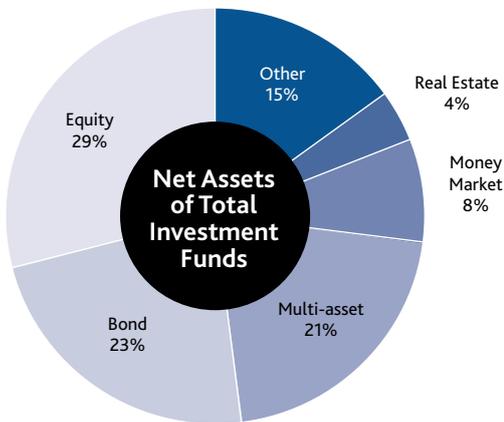
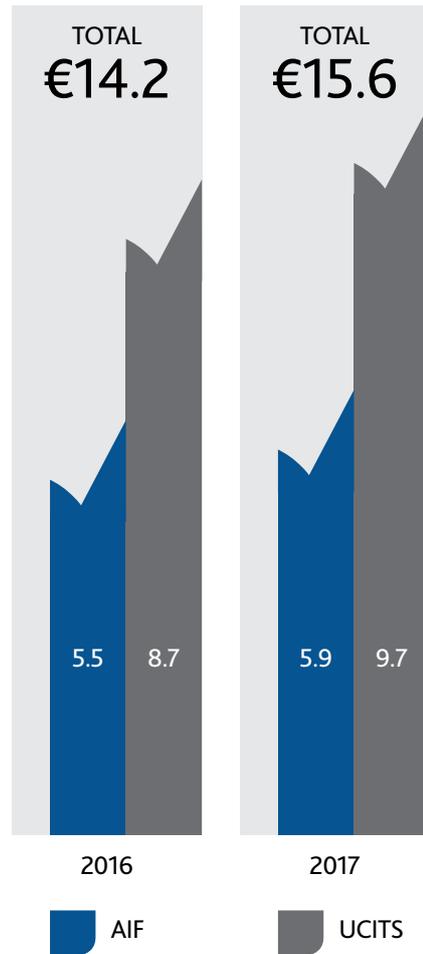
2017 European Trends in Investment Funds

Spurred on by rising stock markets and accelerating economic growth in Europe, 2017 was an exceptional year for the European investment fund industry which saw net assets of UCITS and AIFs rise by 10%, reaching an all-time high of €15.6 trillion. UCITS accounted for 62% of the total investment fund assets at the end of 2017, with AIFs accounting for the remainder. Since 2007, total investment fund assets have increased by 95%, equivalent to a compound annual growth rate of 7%. This is significantly higher than the average nominal GDP growth (1.7%) in the European Union. The total number of investment funds in Europe reached 60,179 at the end of 2017, an increase of 18% over the last decade. Consequently, the average size of a European investment fund reached €259 million in 2017, compared to €155 million in 2007.

At 29%, equity funds accounted for the largest share of UCITS and AIF assets at the end of 2017. The second largest type of funds were bond funds, which accounted for 23%. Multi-asset funds represented 21% of total investment

fund net assets, followed by money market funds at 8% and real estate funds at 4%. The remaining 15% were made up of other UCITS and AIFs.

Net Assets of European Investment Funds (in € trillions)



Record-Breaking Net Sales

2017 was also a record year in terms of net sales of investment funds. At €973 billion, net sales of UCITS and AIFs reached their highest ever level in 2017, passing the previous record of €756 billion in 2015. Record net sales of UCITS (€760 billion) and AIFs (€212 billion) contributed 68% to 2017 growth, with the remainder arising from market appreciation.

During 2008-2017, bond and multi-asset funds attracted the majority of net sales in the UCITS market. Bond funds have attracted the largest cumulative net inflows, with exceptionally strong inflows in 2012 and 2017. Multi-asset funds followed with strong net inflows in 2013-2015 and 2017. Money market funds was the only UCITS category to experience cumulative net outflows during this period. However, since 2014 the money market fund sector has once again attracted positive new money.

During 2008-2017, UCITS and AIFs attracted €3,727 billion in new net inflows. These cumulative net sales represented 54% of the total growth in UCITS and AIF net assets, with market appreciation accounting for the remainder.

The success of UCITS has been reflected in the steady rise in cross-border funds. By the end of 2017, the share of cross-border fund net assets accounted for 42% of total UCITS and AIF net assets, compared to 36% a decade ago. This increase illustrates the growing strength of the UCITS brand, which has helped make European investment funds a global industry.

Dominant Countries in the European Market

The European investment fund industry continues to be dominated by five countries: Luxembourg, Ireland, Germany, France and the UK. At the end of 2017, around 78% of the net assets of UCITS and AIFs were domiciled in these five countries – each of which accounted for over €1 trillion in total net assets. Luxembourg and Ireland are the main domiciles of cross-border funds, while the market shares of Germany, France and the UK reflect the size of their national economies as well as the pool of savings they have accumulated in investment funds.

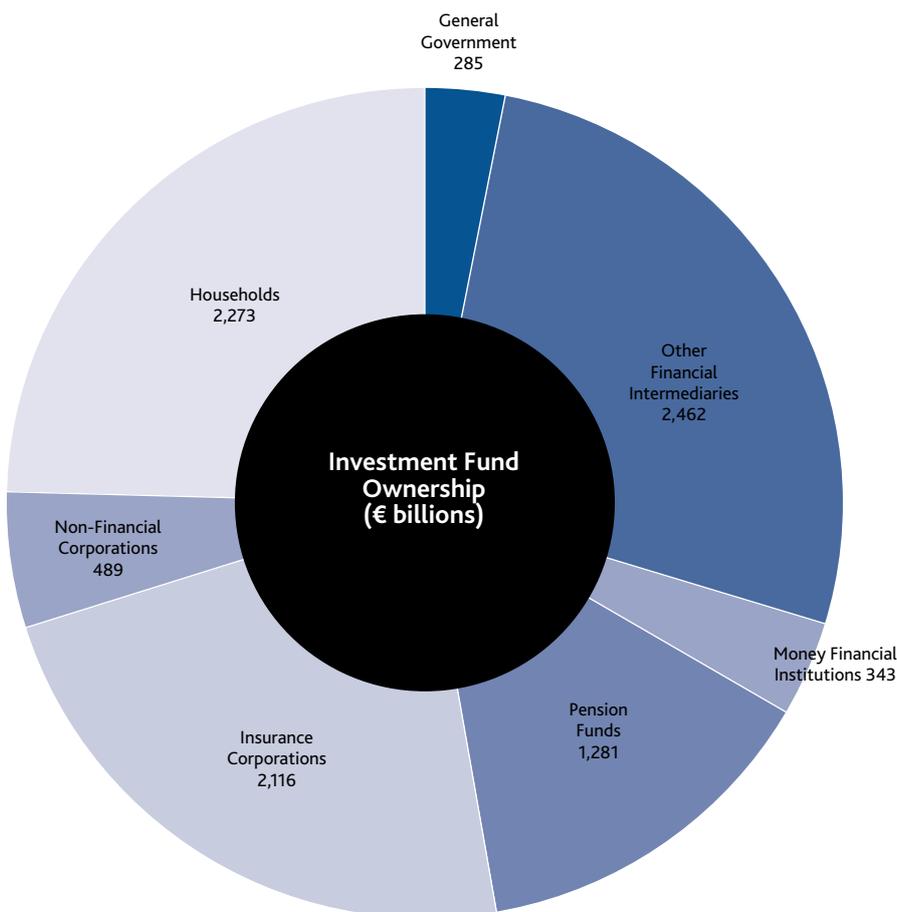
Top 5 Country Shares in Total Investment Funds Assets



Investment Fund Ownership

Pension funds and insurance companies are the largest clients of the industry, with a combined share of 36.8% in the total net assets of investment funds held by euro-area investors at the end of 2017. Other financial intermediaries and households had shares of 26.6% and 24.6% respectively. Including indirect holdings through pension plans they have contracted with insurers and pension funds, households represent the largest investor group in investment funds.

In 2017, euro-area households held 11.4% of their financial assets directly in investment funds – a trend that has increased annually since 2008. However, households continue to show a high tendency to prefer deposits over other financial products. The Capital Markets Union project aims at better mobilising household savings through capital markets and strengthening the link between savings, investment and growth.



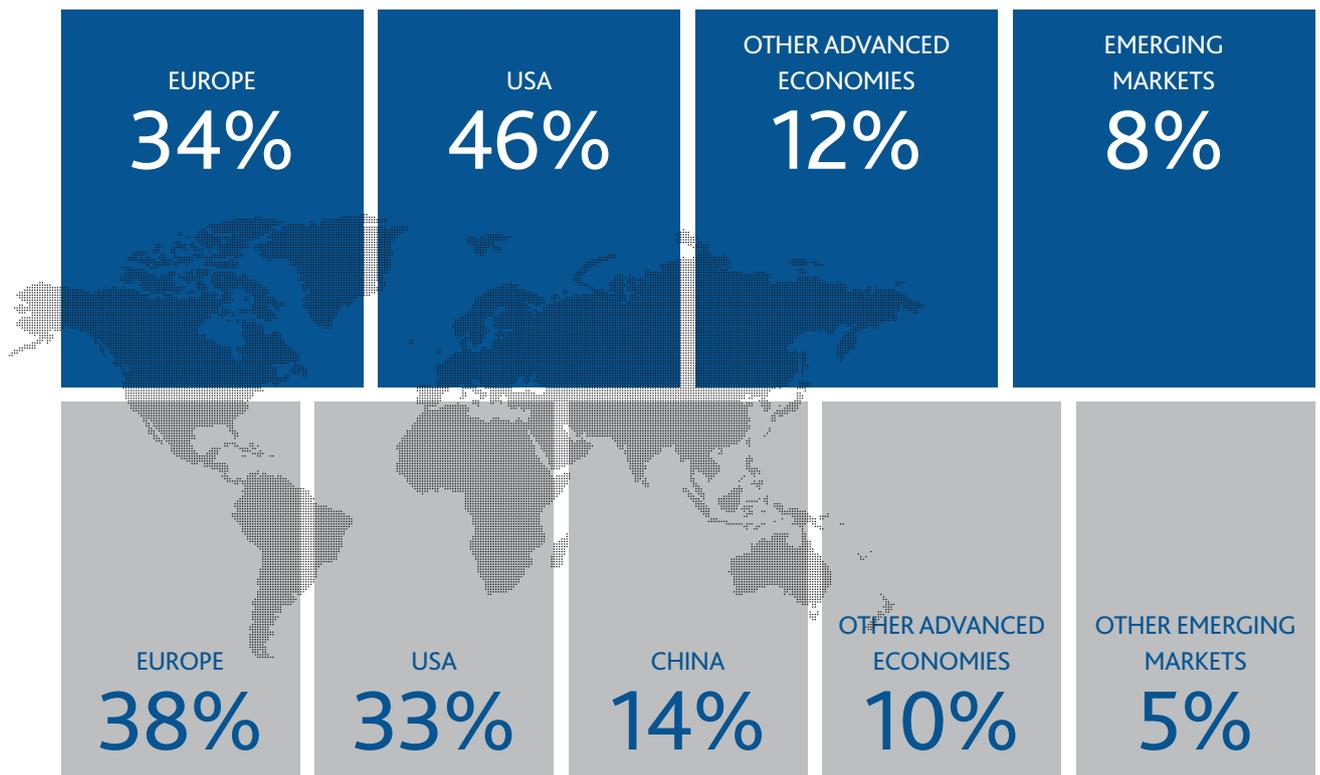
Source: EFAMA

2017 Worldwide Trends in Investment Funds

Worldwide investment fund net assets reached €44.3 trillion in 2017, a new all-time high constituting 7% growth over the previous year. Equity funds amounted to €18.4 trillion at the end of 2017, constituting 42% of total assets, while bond fund assets reached €9.11 trillion or 21% of total assets. Multi-asset funds and money market funds followed with total net assets of €7.8 trillion and €4.9 trillion respectively.

Europe ranked as the second-largest domicile for investment funds with a market share of 35% at the end of 2017, while the United States was the largest domicile for investment funds worldwide with 46% market share. Emerging markets including China, Brazil and India accounted for 8% of worldwide investment fund assets, while other advanced economies including Japan, Canada and Australia represented 12% of the global market.

Global Assets of Investment Funds by Region



Worldwide Investment Funds Net Sales

Source: EFAMA

Worldwide investment funds attracted €2,552 billion in net sales in 2017, which was up from €1,175 billion the previous year. Net sales of long-term and money market funds totalled €2,033 billion and €519 billion respectively, compared to €1,120 billion and €55 billion in 2016. The share of net sales of European investment funds reached a new high for the fourth consecutive year, reaching 38% of worldwide sales, compared to 33% for US mutual funds.

Combined, the US and Europe accounted for 71% of worldwide net inflows in 2017, China represents 14%, while other advanced countries including Japan and Canada attracted inflows of around 10% of worldwide net sales. The remaining emerging markets including Brazil and India accounted for 5% of global net inflows in 2017.



About CIFA

The Cyprus Investment Funds Association (CIFA) was established in 2013 to support investors and asset managers in setting up and structuring funds in Cyprus. In addition to investor support, CIFA's focus is to enhance the sophistication and development of the investment funds sector. The purpose and aspiration of CIFA is to be 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. CIFA now has 300 members from more than 100 leading companies in Cyprus.



Technical Expertise

To better fulfil its mandate, and to best utilise the valuable expertise of its members, CIFA has established 13 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, 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 and International 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.

An important milestone for CIFA was in 2016, when it became a full member of the European Fund and Asset Management Association (EFAMA). CIFA is actively involved in EFAMA Board of Directors' meetings and hosted the 2018 AGM of EFAMA in Cyprus. CIFA also became an Associate Member of the International Capital Markets Association (ICMA) in December 2016 and signed a Memorandum of Understanding (MoU) with The Chartered Institute for Securities & Investment (CISI) in 2017. CISI is the leading professional body for securities, investment, wealth and financial planning professionals. CIFA has also established a strategic relationship with Thomson Reuters for the development of the Investment Funds Industry in Cyprus as well as the region. Another important initiative in 2018 is the collaboration with Clearstream for the listing of funds on the Vestima platform, which will further enhance the industry locally and regionally. In addition, Cyprus has bilateral MoUs with 19 regulatory authorities for exchange of information, with 47 supervisory authorities outside the EU for enhanced supervision of alternative investment fund managers, and is full signatory of the IOSCO and ESMA multilateral MoU.



AWARDS

Editor's Choice Award, IN Business Awards, 2016

Cyprus Chamber of Commerce (KEBE) Award, 2018, honouring CIFA and its Chairman for their contribution to the development of the Cyprus Fund Industry



Support 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 and to help them capitalise on industry trends.

Promote the Cyprus investment fund industry

CIFA's ultimate goal is to promote the Cyprus investment fund industry both at home and abroad. This is achieved 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, participation in industry conferences, targeted roadshows and sponsoring international fund forums in key markets across the world.



Enhance professionalism, integrity and quality in the industry

The global financial services sector is subject to fast-changing regulations and increased focus on compliance and transparency. 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.

Shape and develop 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

- ▶ 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
- ▶ Establishment of strong international relationships with organisations that will help the further development of the fund industry locally, regionally and internationally

Board of Directors



Angelos
Gregoriades
President



George
Campanellas
Vice President



Andreas
Yiasemides
Vice President



Marios
Tannousis
Board Secretary



Constantinos
Papanastasiou
Treasurer



Christoforos
Antoniadis
Board Member



Costas
Argyrides
Board Member



Andreas
Athinodorou
Board Member



Marinos
Christodoulides
Board Member



Christos
Kalogeris
Board Member



Savvas
Pentaris
Board Member



Charalambous
Phokas
Board Member



Omiros
Pissarides
Board Member



George
Rologis
Board Member



Nicholas
Tantis
Board Member



Demetris
Taxitaris
Board Member



Panikos
Teklos
Board Member



Activities

Developing the Fund Industry

Throughout 2018, 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 CIFA's 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 was the continuous implementation of the 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.

Growth Plan and the National Project for the Development of the Investment Funds Sector

The Cyprus Government accepted the recommendations and proposals submitted by CIFA as they were the result of a well-prepared and presented case for the potential development of the fund and asset management industry as well as to the development of the Cyprus economy in general. The development of the fund and asset management industry is included in the action plan for growth of the economy of Cyprus. The recommendations consisted of five new legislative bills covering investment funds and fund managers, tax and Company Law as well as a new law for fund administration. With the enactment of the most important bill for Alternative Investment Funds (AIFs), which also makes it possible for the first time in Cyprus to establish a Registered Alternative Investment Fund (RAIF), CIFA is updating financial institutions and related stakeholders on the advantages and benefits of investment funds sector and its prospects. CIFA has also embarked on intense promotional activities in close coordination and cooperation with industry stakeholders by organising targeted international events in selected international financial centres as well as in Cyprus.

New Initiatives and Strengthening of Relations with Important International Organisations in the Investment Funds and Asset Management Area

CIFA being a full member to EFAMA is fully aligned with EU issues related to investment funds. CIFA has also established a strategic relationship with Thomson Reuters, which resulted in Cyprus Funds being listed for the first time on the Thomson Reuters platform and be visible to more than 20,000 fund managers and investment fund professionals worldwide. More events and functions are being planned with Thomson Reuters. The strong affiliation with ICMA and CIFA's associate membership status is also of strategic importance in the international capital markets. With the strategic alliance and MoU with CISI, members of CIFA as well as professionals in Cyprus and the region have access to specialised training, capacity building and best practices. CIFA has also initiated an important project with Clearstream that is expected to help the growth of Funds in Cyprus as well as in the region.

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, 18 issues have been published and distributed. They are also posted on the CIFA website.



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:

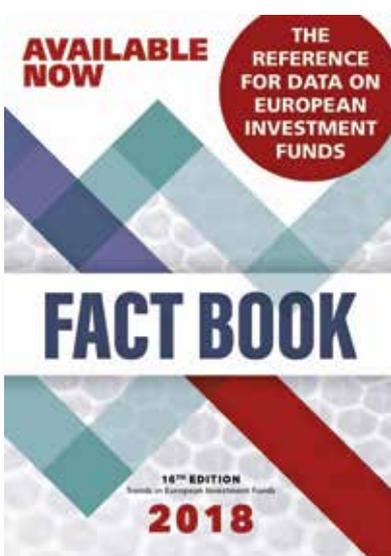
► **CIFA Investment Funds Guide (September 2018):**

The 2018 edition of CIFA's investment Funds Guide was published 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; and a 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.



► **Cyprus Country Report (August 2018):**

CountryProfiler's annual Cyprus Country Report is read by a high-calibre international audience of senior executives and professional advisors worldwide. The 208-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 (July 2018):**

EFAMA's annual Fact Book offers comprehensive information on recent trends in the European investment fund industry and analyses a number of issues that are at the centre of the future development of the industry. Important trends relate to recent developments in the investment fund markets in and outside Europe, to the growth perspectives of the industry, the role of investment funds in pension provision, ownership of investment funds and much more. The Fact Book also includes reports on the investment fund market in 29 European EFAMA member countries, including Cyprus, as well as a statistical section presenting historical data and assets under management of the largest European managers.

► **HFM – Cyprus Report (July 2018):**

HFM Week, a leading source of hedge fund news, analysis and commentary covering compliance, technology, operations, investor relations and strategy, published a 22-page report on Cyprus in July 2018. The report covered the growth of the Cyprus funds industry and the challenges the sector faces along with the benefits of launching funds in Cyprus, the country's advantageous tax system, the administration and implementation of alternative funds and how CIFA can support investors looking at setting up funds in 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 profiles on the country's key sectors, including investment funds, as well as sector-related articles, interviews, insights and publications. The 2018 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, Hedgeweek, Funds Europe Journal, HFM Week, Private Equity, International Investment, Gold Magazine, Signalive, Stock Watch, Phileleftheros, Kathimerini, Cyprus Mail, CyprusProfile.com, Gold News, Capital Today and Financial Mirror.



Events

EFAMA Board of Directors Meetings Brussels, Belgium

CIFA participates in the European Fund and Asset Management Association (EFAMA) Board meetings on a regular basis where important issues are discussed, and decisions taken.



Pensions Forum 2018

November 2018

Nicosia

5th Professional Services Forum

November 2018

Nicosia

4th International Funds Summit

November 2018

Nicosia

Workshop hosted by Dechert LLP: US Regulatory Update

November 2018

Brussels

EFAMA 24th Investment Management Forum

November 2018

Brussels





Fund Forum Middle East & Emerging Markets

November 2018

Dubai

Cyprus Funds Roadshow – Thomson Reuters

September 2018

London



Fund Forum Asia

September 2018

Hong Kong

Cyprus Wealth Management Breakfast

September 2018

Nicosia



EFAMA Annual General Meeting 2018

June 2018

Limassol

Cyprus - An Investment Fund Destination: Breakfast & Lunch Roundtable Presentations

June 2018

London





Cyprus – A Fund Domiciliation and Fund Management Centre: Breakfast & Lunch Roundtable Presentations

June 2018

Berlin, Hamburg, Munich

Listing of Cyprus Funds on the Funds Platform of Thomson Reuters

March 2018

Nicosia





Technical Committees

To fulfil its mandate and to best utilise the valuable expertise of its members, CIFA has established 13 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.

▶ AIF Committee	Christos Vasiliou
▶ UCITS Committee	Zacharias Clerides
▶ Funds Distribution Committee	Kevin Mudd
▶ Fund Administration and Custodian Services Committee	Andreas Athinodorou
▶ Legal and Regulatory Committee	Michalis Ioannides
▶ Ethics and Risk Management Committee	Andreas Theophanous
▶ Statistics and Fund Research Committee	George Martides
▶ Training and Human Resource Committee	Charles Charalambous
▶ FinTech Committee	Antonis Houry
▶ Taxation Committee	Neophytos Neophytou
▶ Fund and Asset Management Committee	Panikos Teklos
▶ Anti-Money Laundering (AML) Committee	Yiannis Demetriades
▶ Wealth Management Committee	Costas Argyrides



Technical Committee Summary Reports

AIF Committee

Chairman: Christos Vasiliou

The committee had three meetings: 18 January 2018, 28 June 2018 and 26 July 2018. During the period under review the committee had 17 members. Members of the board of the association attended meetings held when necessary to provide an update on important issues. Main matters discussed during the period:

Legal framework update and amendments:

The committee extensively discussed the legal framework and changes made throughout the period and monitored developments. In addition, the committee discussed the new fund legislation that was ratified by the House of Parliament.

New developments in the fund industry and promotion of Cyprus as a fund jurisdiction:

Following the key initiatives set by the board of the association for the year 2018, the committee discussed whether there are any developments in the fund industry which included comparison with other fund jurisdictions. The committee also made every effort in supporting CIFA in promotional activities in strengthening Cyprus as a fund jurisdiction.

Application process and fast track for funds:

The committee examined various ways of speeding up the review of new applications and liaised with the regulator to facilitate the above. The fast track option is applicable and guarantees the application process can be finalised within two months (provided that all required documentation/information is given on a timely manner).

Other matters:

A number of other issues concerning the Cyprus funds industry were also discussed and further actions to rectify the situation will be agreed and forwarded to CIFA's BoD for approval:

- CySEC Advance certificate: Need to consider whether at least CySEC should accept other countries' certifications, especially UK (FCA Certificate) and Greece. It was agreed that we will follow this matter during the upcoming meetings

- Digital currencies: Discussions held regarding the framework, treatment as well as the regulatory oversight of digital currencies
- AML/KYC procedures. The committee members asked CySEC's position on the way that the AML directive will be applied with regards to funds
- The committee members suggested several ways that they believe the application procedure can become more efficient and faster

UCITS Committee

Chairman: Zacharias Clerides

The committee meets every two months, with the presence of representatives from management companies, depositary banks and companies offering audit, set up and administration services. The main effort of the committee is to increase the awareness of UCITS in the Cyprus market. The product is not well known in the market and some people believe that UCITS are an exotic product, while they are a kind of plain vanilla. The efforts are targeting to:

- Increase the awareness of UCITS as a product and re-introduce it to the professional services sector in Cyprus
- Get in touch with associations of professionals (like lawyers and accountants) and enquire whether they would consider a joint promotion of UCITS, since all parties will have a benefit from this
- Get in touch with local pension funds and present them UCITS
- Prepare articles to be promoted through local business press, so that the general public becomes familiar with the product
- Publicise the daily UCITS prices and performances through the site of CIFA and targeted financial newspapers
- Contribute in the preparation of new legislations, especially for the ones linked to tax issues

The committee firmly believes that UCITS is a product that can substantially grow in the future in Cyprus, as it is simple to understand and can be marketed to almost any investor.



Funds Distribution Committee

Chairman: Kevin Mudd

The purpose of our committee was to determine methods and target markets we could pursue in order to develop Cyprus as a funds distribution and management centre.

The greatest achievement of our committee this year is the Promotional Video which now features on the CIFA website. This brings to the viewer the great potential our island has to offer, not only through the eyes of the regulator, but also through personal interviews with prominent foreign businessmen who have seen the attractions of Cyprus and set up operations locally as a result.

A number of initiatives discussed, such as promoting Cyprus via digital means and by travelling overseas, are now being considered given the attractions of the new financial services laws passed this summer.

Fund Administration and Custodian Services Committee

Chairman: Andreas Athinodorou

The committee proceeded its workings and meets every first Tuesday of the month. The objectives of the committee were re-stated in light of the new legal framework of the funds' industry, but the focus remained on the following:

- Support the CIFA Board of Directors on issues relating to the fund administration services and custody services
- Liaise with other industry bodies such as CySEC, Central Bank, ICPAC, ROC etc. on matters relating to the services covered by the committee
- Liaise with other committees of CIFA to cover areas of legislation, regulations, training, strategy and development, technology, taxation and other matters
- Provide support to CIFA members that operate in the areas of services covered by the committee
- Engage with international parties that relate to the areas of services covered by the committee

The committee followed very closely all the changes in the main five laws that relate to the funds industry, namely:

- AIF Law
- Fund Administration Services Law
- Mini Manager Law
- Tax Law
- Partnership and Company Law

The AIF Law that came into force on the 31st of July 2018 prescribes new requirements for the appointment of custodian and depositary service providers to funds. All these new requirements were transposed in a comprehensive table to be circulated to all CIFA members. Our committee worked very closely with the Head of the Legal Committee in drafting/redrafting the proposed Fund Administration Services Law that has recently been submitted to CySEC for their comments and approval.

Further, the committee has prepared a comprehensive list of points to be covered in an initial fund set-up questionnaire. The aim for this questionnaire is to become the basis for an industry standard checklist to be used by all fund service providers in ensuring that all information required in quoting for a fund setup and ongoing management is obtained as complete as possible at the initial stages.

Finally our committee is working towards costing the fund services for the different types of funds as prescribed by the new AIF law. The aim here is to create an indication of costs that can be used as an industry indicator. The committee is working very closely with the CIFA Board of Directors and other industry bodies to ensure that the fund administration services profession is properly regulated through an effective legislation that is to be implemented soon.



Legal and Regulatory Committee

Chairman: Michalis Ioannides

The committee monitors and shares all legal and regulatory developments impacting the local and the European fund industry through four working groups focusing in particular on the following:

- Fund Comparative Law Working Group
- EU Development Regulation Working Group
- Cyprus Regulation Working Group
- Publications Working Group

The committee completed two official sessions, and several working group meetings.

During those sessions, the committee reviewed the process, legal framework and the amendments regarding the following proposed legislation:

- Review of the Alternative Investment Funds Law
- Amendment of Companies Law, Cap 113
- Amendment of Partnership and Business Names Law
- New Fund Admin Services Law
- New Mini Manager Amendment
- Review the 12 new Directives of CySEC for the implementation of the new Alternative Investment Funds Law

In particular, views were exchanged with CySEC and other stakeholders on the proposed amendments of the AIF law, the new Fund Admin Services Law and the Companies Law, Cap 113, leading to suggestions for amendments in the legislation and review and amendments regarding the Companies Law, Cap 113.

The Chairman of the committee had a series of official meetings with the Registrar of Companies and the Chair of CySEC for the changes in the Companies Law, Cap 113 and the new Law for the Fund Administration services. Also, the Chairman had a series of official meetings with the industry and the government, including the Minister of Finance, to discuss the status of the proposed legislation. Currently the committee is preparing accordingly, in order to represent CIFA during the parliamentary discussions regarding the proposed legislation.

Ethics and Risk Management Committee

Chairman: Andreas Theophanous

The activities of the committee are primarily focused on monitoring developments in the area of ethics and risk management, with an aim to translate these into best practice recommendations for our members and the industry as a whole. To this end, the committee developed a three-year roadmap, which it updates on a regular basis according to new requirements and needs, and which include the following:

- Ongoing monitoring and evaluation of new laws and regulations both at local and global level, and the impact that these may have in terms of ethics and risk management
- Developing tools, the aim of which will be to assess the level of ethics and risk awareness of our members, in an attempt to identify areas where further guidance may be required
- Enhance relationships with the regulator, market participants and service providers of the industry, in order to identify regulatory and market needs and available solutions
- Developing guidance in relation to the content of the Annual Risk Officer Report, so that this adds more value to the Boards of the Fund/Managers and to the Regulator
- Organise conferences, training sessions and other relevant material to support the needs of our members and businesses involved in the sector
- Continuing updating our members on ethics issues

Looking ahead to the next year, the committee will continue its work on the basis of the above roadmap and will be closely monitoring and evaluating market and regulatory developments in the areas of ethics and risk management, in order to suggest to the Board recommendations for possible enhancements. In particular, and for the year 2019, the committee plans to consider practical issues arising from the implementation of the new requirements of the EU Regulation on Package Retail and Insurance based Investment Products (PRIIPS), so that it develops a practical tool to support the needs of our members regarding the requirements of the new regulation.



Statistics and Fund Research 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 and the Central Bank of Cyprus – 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, AIFLNs and CSE closed-ended listed funds)
- publishing articles in local newspapers and online media highlighting industry statistics and activity

The most important achievements of our committee during the last year were the inclusion of Cyprus in the EFAMA statistical databases and reports. This includes the monthly, quarterly and annual statistical reports which track, among others, assets under management, net sales and number of funds by fund type. We have been working with EFAMA and submitting such information since September 2016.

In addition to the above, our work also includes the preparation and submission of the Cyprus Country Report in April 2018 to EFAMA for inclusion in its Fact Book 2018. This is the fourth 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 2013 through to year-end 2017 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. AIFMD developments, MiFID II implementation, PRIIPs implementation and Corporate Governance)
- an update of the activities of CIFA including domestic lobbying efforts, conferences/workshops, and publications

Training and Human Resource Committee

Chairman: Charles Charalambous

The Training and Human Resource Committee provides industry training and relevant Continuous Professional Development (CPD) seminars to Cyprus Investment Fund Association (CIFA) members. It promotes the association's Code of Practice & Ethical Standards for Fund Managers and Risk Management Principles which are founded on ethics, knowledge and competency to its members and ensures members maintain adherence to these values. The committee's aim is to maintain a high level of competence within the fund industry locally, while benchmarking competency to its peers internationally. With this in mind, the committee monitors and evaluates fellow international fund association modernised approaches in training practices and advises changes to the CIFA Board of Directors for implementation.

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 while collaborating in areas of Continuing Professional Development (CPD) courses and promotion of its examinations in Cyprus. Following the signing of the Memorandum of Understanding (MOU) between CIFA and The Chartered Institute for Securities and Investment (CISI), the committee has co-organised joint events on various subjects also in collaboration with other institutions. CIFA also participated at the 2018 CISI Gala Dinner held at the Four Seasons, Limassol.

- Promoting Financial Products with the CISI and EIMF
- Listing of Cyprus Funds on the Funds Platform of Thomson Reuters: Advantages and Requisites with Thomson Reuters
- Integrity at Work with the CISI and EIMF
- General Data Protection Regulation (GDPR) with the CISI, KPMG and PwC
- 2018 Cyprus Wealth Management Breakfast with the CISI and Thomson Reuters

The committee supports the CIFA board and Cyprus' investment promotion agency Invest Cyprus in promoting Cyprus as a fund jurisdiction. The committee will continue to organise and participate at CPD events



in 2018-2019, in collaboration with the CISI and other institutions in the fields of Anti-Money Laundering (AML), Fund Administration, Risk Management and other pertinent events in coordination with the Chartered Institute for Securities and Investment (CISI). In addition to events, the committee will seek to catalogue pertinent recognised qualifications in association with leading local and international institutions that will be utilised as benchmark qualifications for the Cyprus fund industry.

FinTech Committee

Chairman: Antonis Houry

The aim of the relatively newly established Financial Technology (FinTech) committee is to identify how new technologies can influence and empower the funds industry.

The scope of the FinTech committee is to monitor developments in the financial technology industry, identify major trends and technologies that can be utilised in the investment funds industry and recommend and assist CIFA in the adoption of new technology and standards that can facilitate the growth of the investment funds industry in Cyprus.

Since its establishment, the committee reviewed a number of technological developments and their implications in the investment funds industry. Special attention is given to the adoption of new technology standards by investment funds and the impact of new technology in the funds' industry. Particular emphasis is given to Regulatory Technology (RegTech), the technology created to address regulatory challenges in the financial services sector. The committee held meetings and discussions with Cyprus Securities and Exchange Commission (CySEC) representatives and exchanged views and ideas on ways of promoting RegTech in the Cyprus funds industry for monitoring and supervision, Know Your Client (KYC) and Anti Money Laundering (AML) purposes.

Going forward, the committee aims to continue monitoring the trends of new technologies and suggest recommendations as to the necessary changes that need to be adopted by the fund industry.



Tax Committee

Chairman: Neophytos Neophytou

The Tax Committee of CIFA during 2018 concentrated its efforts to pass the changes in the tax legislation (finalised and approved by the Tax Committee in 2017) which relates to the taxation of fund managers and attended meetings at the Ministry of Finance and the Finance Committee of the House of Representatives. The law was passed in July 2018, except the changes in the Assessment and Collection of Taxes Law relating to the withholding and reporting requirements for fund managers. Because of concerns raised by fund managers and custodians (both local and foreign) on practical issues arising on disclosure and withholding of taxes obligations on fund managers, a series of meetings were held with officials at the Ministry of Finance discussing practical solutions and now there are a number of proposed tax amendments in the process of being presented to the House of Representatives for voting to become law. The proposed changes address most of the areas of concern on the tax obligations for the fund industry.

Fund and Asset Management Committee

Chairman: Panikos Teklos

The main objective of the committee is the support, development and growth of the fund and asset management industry in Cyprus. In order to achieve its main objective, the committee has set a dynamic roadmap that aims to update on a regular basis, taking into account geopolitical and economic developments, the industry evolution and the international regulatory environment as well as international leading practices. During the course of the late part of last year and this year, the committee has undertaken and worked on the following initiatives, some of which were based on its originally set road map and some others were created in due course:

- As part of a Gap analysis initiative to identify the opportunities and development points between Cyprus and other well-known and established fund and asset management jurisdictions, the committee has put together a database of information from various asset management studies and other industry papers and begun the discussion in extracting meaningful conclusions in terms of this comparison. The enactment of the new AIF Law now permits for a more comparable analysis of the framework in Cyprus vis-à-vis other prominent jurisdictions
- Focus on how to promote Cyprus as a fund hosting centre where AIFMs and UCITS management companies set up fully fledged substance to accommodate and service EU and Non-EU funds. The committee participated in various fund summits abroad with dedicated sessions on fund hosting and the benefits of Cyprus. With the introduction of RAIFs, we have started noticing stronger interest for this service in Cyprus
- Establish a channel of communication and regular dialogue with the national competent authority – CYSEC – the Ministry of Finance and market participants, making suggestions for the industry's improvement and development. A practical Q&A guide has been prepared and sent to CYSEC in order to facilitate a more speedy and efficient licensing process
- Initiated a discussion for the introduction of Fund and Fund Managers Awards in order to

promote the visibility of the industry locally and internationally as well as recognise the efforts of the fund managers who establish funds and/or management companies in Cyprus. Discussions around setting appropriate methodology, the context in which the awards will be provided and the occasion, and potential partnerships with credible rating organisations are under way

In addition to the above ongoing initiatives, the committee aims to work and develop the following initiatives during 2019:

- Adoption of a long-term strategy based on the mantra of 'Identify-Build-Promote'. Focus on the further development of the local market whilst working on the growth of attracting participants from abroad
- Collaboration with the Tax Committee in order to discuss the introduction of local tax incentive schemes so that Cypriot investors become incentivised to be more actively involved in investing in investment funds and therefore provide incentives for the establishment of more local and foreign fund managers
- Collaboration with the FinTech Committee in a joint effort to stay abreast and make use of the technology and digital revolution of the industry in order to minimise costs, maximise economies of scale and remain compliant with ever-increasing regulatory requirements
- Arrange meetings with industry participants (fund managers) in order to get their feedback for the problems they face and hear their suggestions how to resolve them
- Collaboration with the Statistics Committee, CySEC and the Central Bank of Cyprus to collate official data identifying the size and the structure of the industry
- Discuss the introduction of an event in which fund managers with funds domiciled in Cyprus or fund managers established in Cyprus having funds domiciled abroad, present their funds and create awareness of their business to the rest of the market
- Publish relevant industry articles

The committee aims to meet every two months or on an ad hoc basis should the circumstances require it.

Anti-Money Laundering (AML) Committee

Chairman: Yiannis Demetriades

In 2018, the members of the committee have:

Held meetings with various fund service providers and banks, and analysed/discussed the AML issues that they face

Continued the work on the draft of the CIFA AML guidelines. These are currently under discussion amongst the members of our committee

Cyprus has amended its AML laws in order to comply with the 4th EU AML Directive. We now await the issue of new or amended directives by the Central Bank and CySEC. The provisions, relevant to funds, of the new AML law and expected directives will have to be incorporated into the draft AML guidelines. We will then hold further meetings with fund service providers and banks before seeking meetings with CySEC and the Central Bank.

Wealth Management Committee

Chairman: Costas Argyrides

The newly established committee of CIFA is committed to the following terms of reference:

- Monitor the Wealth Management developments globally and in the EU
- Benchmark Cyprus with best practices of the EU in the Wealth Management industry
- Identify what needs to be done, from regulatory and legal perspective, in order to develop the industry and what end clients, family offices and asset managers require to relocate in Cyprus and make relevant suggestions to the Board of Directors of CIFA
- Prepare material to promote Cyprus in a focused way not only as a banking centre and irrespective of the asset location of the investors
- Integrate tax, legal, regulatory aspects to convince family offices, clients, asset managers to bring to Cyprus their value-added activities irrespective of their country of activities and to bring people that will utilise the set-up of Cyprus to manage their global wealth through Cyprus
- Make suggestions for capacity building, training and creating talent for the Wealth Management industry



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Financial Statements

for the year ended 31 December 2017

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

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George Kampanellas - Vice President
Andreas Yiasemides - Vice President
Marios Tannousis - Secretary
Constantinos Papanastasiou - Member
Christoforos Antoniadis - Member
Andreas Athinodorou - Member
Charalambos Fokas - Member
Savvas Pentaris - Member
Omiros Pissarides - Member
George Rologis - Member
Demetris Taxitaris - Member
Marinos Christodoulides - Member
Nicholas Tantis - Member
Panikos Teklos - Member
Costas Argyrides - Member
Christos Kalogeris - Member

Independent Auditors

Joannides + Co Limited
Certified Public Accountants and Registered Auditors
Agiou Prokopiou 13, Egkomi, 2406, Nicosia, Cyprus

Registered Address

Makarios III Ave, 9, 4th floor, Nicosia 1065, Cyprus

Bankers

Bank of Cyprus Public Co Ltd
Hellenic Bank Public Company Limited

REPORT OF THE BOARD OF DIRECTORS

for the year ended 31 December 2017

The Board of Directors of Cyprus Investment Fund Association (CIFA) (the "Association") presents to the members its report and the audited financial statements of the Association for the year ended 31 December 2017.

Principal activity and nature of operations of the Association

The principal activities of the Association, which are unchanged from last year, 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.

CIFA in 2018 has been actively promoting the Cyprus Funds Industry worldwide, shaping regulation with the collaboration of CySec and Ministry of Finance while provided capacity building and support to its members based on international best practices. CIFA also initiated and strengthened strategic relationships with important international organizations such as Thomson Reuters and Clearstream.

Results

The Association's results for the year are set out on page 40.

Board of Directors

The members of the Association's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 36. All of them were members of the Board of Directors throughout the year ended 31 December 2017.

In accordance with the Association's Articles of Association all Directors presently members of the Board continue in office.

The Electoral General Meeting is held every three years.

Independent Auditors

The Independent Auditors, Joannides + Co Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Marios Tannousis
Secretary
Nicosia, 27 November 2018



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cyprus Investment Fund Association (CIFA) (the "Association"), which are presented in pages 41 to 48 and comprise the statement of financial position as at 31 December 2017, the statements of income and expenses, changes in fund account and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Articles of Association of the Association, the Associations and Foundations and Other Relevant Issues Law of 2017.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors 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 and Other Relevant Issues Law of 2017, 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report, including the opinion, has been prepared for and only for the Association's members as a body in accordance with Section 69 of the Auditors Law of 2017 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, 27 November 2018



STATEMENT OF INCOME AND EXPENSES

	2017	2016
	€	€
INCOME		
Subscriptions and registration fees	48.800	55.102
Bank interest received (net)	17	24
Donations and sponsorships	8.000	13.068
KWM project - deferred income released	11.858	164.883
Total revenue	68.675	233.077
EXPENSES		
Sundry expenses	600	400
Stationery and printing	-	923
Subscriptions and contributions	7.102	4.361
Advertising expenses	1.190	-
Independent auditors' remuneration for the statutory audit of annual accounts	1.190	1.190
Accounting fees	2.142	2.142
Consultancy fees	-	152.951
Professional fees	-	1.571
Sponsorship	-	2.663
Overseas travelling	-	4.754
Hospitality and event expenses	12.675	13.027
Bank charges	340	883
Total expenses	25.239	184.865
Surplus for the year	43.436	48.212

The notes on pages 44 to 48 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2017 €	2016 €
ASSETS			
Current assets			
Trade and other receivables	6	20.200	36.200
Cash and cash equivalents	7	164.900	131.753
		185.100	167.953
Total assets		185.100	167.953
SURPLUS AND LIABILITIES			
Fund account		180.035	136.599
Total surplus		180.035	136.599
Current liabilities			
Trade and other payables	8	5.065	31.354
		5.065	31.354
Total surplus and liabilities		185.100	167.953

On 27 November 2018 the Board of Directors approved and authorised these financial statements for issue.

Angelos Gregoriades
President

Marios Tannousis
Secretary

The notes on pages 44 to 48 form an integral part of the financial statements.



STATEMENT OF FUND ACCOUNT

	Surplus €	Total €
Balance 31 January 2016	88.387	88.387
Surplus for the year	48.212	48.212
Balance 31 December 2016 / 1 January 2017	136.599	136.599
Surplus for the year	43.436	43.436
Balance 31 December 2016	180.035	180.035

The notes on pages 44 to 48 form an integral part of the financial statements.

CASH FLOW STATEMENT

	Note	2017 €	2016 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		43.436	48.212
Adjustments for:			
Interest income		(17)	(24)
		43.419	48.188
Changes in working capital:			
Decrease/(increase) in trade and other receivables		16.000	(4.440)
Decrease in trade and other payables		(26.289)	(162.531)
Cash generated from/(used in) operations		33.130	(118.783)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		17	24
Net cash generated from investing activities		17	24
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net increase/(decrease) in cash and cash equivalents		33.147	(118.759)
Cash and cash equivalents at beginning of the year		131.753	250.512
Cash and cash equivalents at end of the year	7	164.900	131.753

The notes on pages 44 to 48 form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and principal activities

Country of incorporation

The Cyprus Investment Fund Association (CIFA) (the "Association") was incorporated in Cyprus on 25 April 2013 under the provisions of the Associations and Foundations and Other Relevant Issues Law of 2017, with the purpose to act as the single unified representative body of the industry in Cyprus. Its registered office is at Severis Building, 9 Makarios III ave., 9th floor, 1065 Nicosia.

Principal activity

The principal activities of the Association, which are unchanged from last year, 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. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and are for the year ended 31 December 2017.

Basis of measurement

The financial statements have been prepared under the historical cost convention.

Adoption of new and revised IFRSs

During the current year the Association adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Association.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Association.

Revenue recognition

Revenue comprises the invoiced amount for services net of Value Added Tax, rebates and discounts. Revenues earned by the Association are recognised on the following bases:

- **Subscription income**
Subscription income receivable is recognised on an accruals basis.
- **Donations and sponsorships**
Donations and sponsorships are recognised as income in the period they are confirmed.
- **Interest income**
Interest income is recognised on a time-proportion basis using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised in the Association's statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Association has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.



3. Financial risk management

Financial risk factors

The Association is exposed to credit risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Association to manage these risks are discussed below:

3.1 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 reporting date. The Association has no significant concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
	€	€
Trade and other receivables	20.200	36.200
Cash at bank	164.900	131.753
	185.100	167.953

3.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. No maturity table disclosing the undiscounted cash flows of the underlying liabilities has been presented as all outstanding balances are due within 12 months and consequently their carrying amounts are representative of their contractual cash flows and the impact of discounting is not significant.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Association's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Deferred revenue**

Deferred income revenue 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.

- **Provision for bad and doubtful debts**

The Association reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

5. Operating profit

	2017	2016
	€	€
Operating profit is stated after charging the following items:		
Independant auditors' remuneration for the statutory audit of annual accounts	1.190	1.190

6. Trade and other receivables

	2017	2016
	€	€
Trade and other receivables	20.200	36.200
	20.200	36.200

Trade receivables represent amounts due from members for subscription and registration fees which are due for receipt on demand. 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 3 of the financial statements.

7. Cash and cash equivalents

Cash balances are analysed as follows

	2017	2016
	€	€
Cash at bank	164.900	131.753
	164.900	131.753

The fair values of cash and cash equivalents approximate to their carrying amounts as presented above. The exposure of the Association to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

**8. Trade and other payables**

	2017	2016
	€	€
Accruals	5.065	17.496
Other creditors	-	2.000
Deferred income	-	11.858
	<hr/> 5.065	<hr/> 31.354

Other creditors are due for payment on demand.

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

9. Contingent liabilities

The Association had no contingent liabilities as at 31 December 2017.

10. Commitments

The Association had no capital or other commitments as at 31 December 2017.

11. 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.

Independent auditor's report on pages 38 to 39

