



CIFA

CYPRUS INVESTMENT FUNDS ASSOCIATION
ANNUAL REVIEW 2019



Annual Review 2019 &
Financial Statements
for the year ended
31 December 2018

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President's Statement

Six years ago, I took on the role as President of the Cyprus Investment Funds Association (CIFA) and my tenure is drawing to a close with the November 2019 Annual General Meeting. It has been an honor and privilege to serve CIFA and its members during a period where we believe we have achieved some noteworthy successes.

On the regulatory front, during this period, the funds legal framework was upgraded with the transposition of the Alternative Investment Fund Managers Directive in 2013, the enactment of the Alternative Investment Funds Law in 2014, which repealed the International Collective Investment Schemes Law, the transposition of UCITS V became a reality in 2016, and we upgraded our Alternative Investment Funds Law in 2018. This new Law introduced provisions for the Registered Alternative Investment Fund (RAIF), an investment vehicle that can offer an efficient route to market for a newly established fund. Since the enactment of AIF law of 2018, we have had 18 registrations of RAIFs with more coming in the next few months.

Pending legislation is the so-called Mini Manager Law which will regulate fund managers who are managing funds below the level of €100 million and is now currently in the House of Parliament awaiting approval. We expect the finalisation of the Law that will regulate Fund Administrators, as well as certain amendments to the Partnership Law that will enable partnerships to have the option to have legal personality, to further enhance our legal framework.

These are all significant milestones for our Industry resulting in a formidable growth momentum. Assets under management rose from €2.1 billion in 2012 to €6.8 billion in the second quarter of 2019 and the number of authorised Alternative Investment Fund Management Companies were 28 in number as at 31st December 2018, according to CySEC's latest statistics. Significant growth was also recorded in the assets under the umbrella of UCITS management companies.

During this period we have increased the visibility of Cyprus globally by being able to list Cyprus funds on international fund platforms or organisations such as Clearstream, Refinitiv (ex-Thomson Reuters) and Bloomberg, while we are now in discussions with Morningstar.

We are Associate Members of the International Capital Markets Association (ICMA) and in April 2019 we were accepted as members of the International Investment Funds Association (IIFA), while we have signed an MoU with the Chartered Institute of Securities and Investment (CISI) for capacity building and best practices implementation in Cyprus.

All the above developments are in line with the Cyprus financial services sector's efforts to further expand in terms of size, reputation and attractiveness, backed by a resilient regulatory framework, prudent supervision, consumer protection, and strong money laundering prevention mechanisms. The robustness of the sector is reflected in healthy capital and liquidity levels held by banks and continued registration of new companies, funds and investment vehicles, providing employment opportunities both within the direct financial intermediation segment and other related professional services activities.

"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."



Of course, there are many issues we are still facing such as the ongoing debate around savings, sustainable finance, challenges around innovation and the growth of digitisation and more generally the need for the fund industry in Cyprus to remain competitive and attractive.

Going forward, I have full confidence that the new CIFA Board of Directors along with the already established hard working 13 technical committees composed of local market experts will continue our commitment to facilitate the constant upgrading of our legal and tax framework and service quality on all fronts to ensure investor protection and to keep Cyprus on par and competitive among other fund jurisdictions around the world.

Lastly, CIFA represents the sector in economic missions around the world organised by Invest Cyprus. During this year we participated in events in Hong Kong, Tel Aviv, Mumbai, Frankfurt and London.

We also take an active part in principle meetings of the global funds industry as a full member of the European Fund and Asset Management Association (EFAMA). CIFA actively participates in EFAMA's quarterly meetings and contributes to the voice of the European funds industry. For this we would like to express our appreciation to Mr. Marios Tannousis, Director Secretary, who participates in these meetings on our behalf.

We are committed to remain proactive in these discussions, to keep working with the Government, the Cypriot regulators and European institutions, with the aim to expand our funds sector and maintain Cyprus as a successful alternative fund jurisdiction. On behalf of my fellow Board Members I would like to express my gratitude

to the Minister of Finance Harris Georgiades, to the regulator Cyprus Security and Exchange Commission (CySEC) and to Invest Cyprus for their ongoing support and cooperation.

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 further as a hub for investment funds.

Angelos Gregoriades

President – Cyprus Investment Funds Association (CIFA)

Why Cyprus

Cyprus is fast becoming one of the top emerging investment fund centres in Europe in light of its continuous efforts to upgrade its legislative and regulatory regime, which is backed up by its strong network of financial and professional services providers. Determined to stay at the forefront of industry developments and offering unique access to high-growth markets, as well as a professional and cost-efficient jurisdiction for funds, the country has developed into a key regional domicile for investment funds and asset managers. The country's population is one of the most highly educated within the EU, and the expertise of its service providers has established Cyprus as a location of choice for international fund promoters and investors seeking secure and advantageous fund solutions.

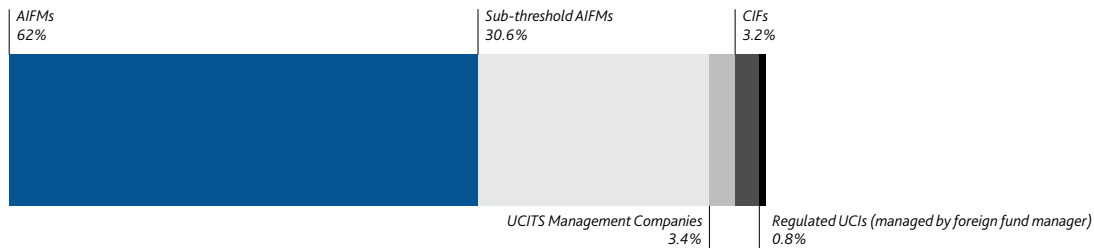
- ▶ Member of the EU and the Eurozone
- ▶ Cost-effective setting-up and ongoing operational services
- ▶ Efficient and up-to-date regulation fully harmonised with related EU Directives
- ▶ Cyprus-based funds and asset managers benefit from low tax burdens levied on Cyprus based corporations
- ▶ Collective investments can be listed on the Cyprus Stock Exchange and other recognised EU stock exchanges
- ▶ Extensive network of double tax treaties allowing for tax-efficient structuring of investments
- ▶ Incentives and tax benefits for high-earning managers and high-net-worth individuals
- ▶ Strategic geographical location between Europe, Middle East and Africa
- ▶ Mature business centre with highly qualified professionals and sophisticated infrastructure
- ▶ Favourable EU and OECD-approved tax regime



Cyprus Funds Sector

Assets under Management (AuM):

€6.8 bn



AuM by Investment Strategy

AIF, AIFLNP, RAIF
96.1%



Regulated Entities Licensed by CySEC

Cyprus Investment Firms
Administrative Service Providers

30/09/2019
Pending applications up to 30/09/2019

244
153

26
9

Trading Venues

Cyprus Stock Exchange (CSE)
Multilateral Trading Facility (MTF)

1
1

Listed Companies*

Issuers of securities trading on the CSE
Issuers of securities listed on other regulated markets

62
13

Management Companies and Funds

UCITS Management Companies

4

AIFMs

AIFMs - External Fund Managers
AIFMs - Internally Managed Funds

27
1

11
1

Sub-threshold AIFMs

AIF Fund (Internally Managed)
AIFLNP (Internally Managed)
Special Purpose Entities

2
55
10

2
20
2

Externally Managed UCIs

UCITS
AIF
AIFLNP**
Registered AIFs (RAIFs)***

10
40
36
18

1
22
12
1

* Listed Companies are not licensed by CySEC

** Includes one EuVECA

*** Registered AIF are not licensed by CySEC

International Memberships

- ▶ International Organization of Securities Commissions (IOSCO)
- ▶ European Securities and Markets Authority (ESMA)
- ▶ European Fund and Asset Management Association (EFAMA)
- ▶ European Systemic Risk Board (ESRB)
- ▶ International Capital Markets Association (ICMA) - Associate Member
- ▶ International Investment Funds Association (IIFA)

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)

2018 European Trends in Investment Funds

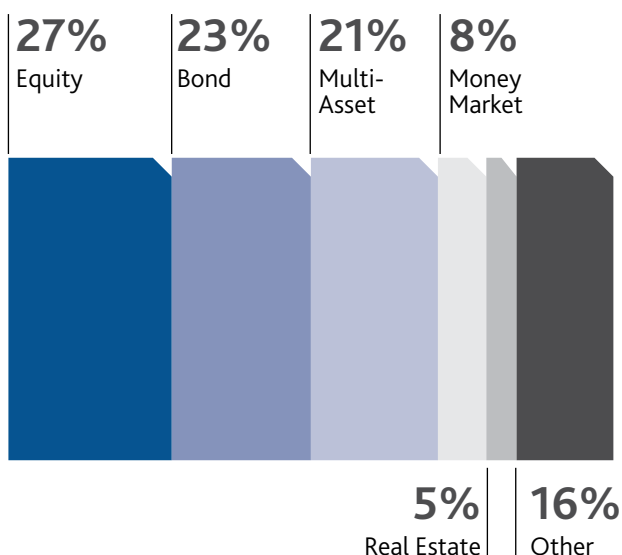
Source: EFAMA

Following the record year of 2017, 2018 proved challenging for the investment fund industry. Political uncertainties in Europe, the US global trade war, monetary policy tightening and concerns over economic growth led to stock volatility and investor nervousness. The steep fall in world stock markets at the end of the year resulted in a 3% decrease in assets. Although net sales remained positive, they dropped from €984 billion in 2017 to €259 billion in 2018.

The number of investment funds in Europe continued to grow, reaching 61,995 at the end of 2018, an increase of 16% over the last ten years. Despite this, the average size of a European investment fund reached €245 million in 2018, compared to €155 million in 2008.

Since 2008, total investment fund assets have increased by 141%, a compound annual growth rate of 9.2%. This is significantly higher than the average nominal GDP growth in the European Union (2%).

Net Assets of Total European Investment Funds (2018)



Net Assets of European Investment Funds (€ trillions)



Total Net Sales of European Investment Funds (€ billions)



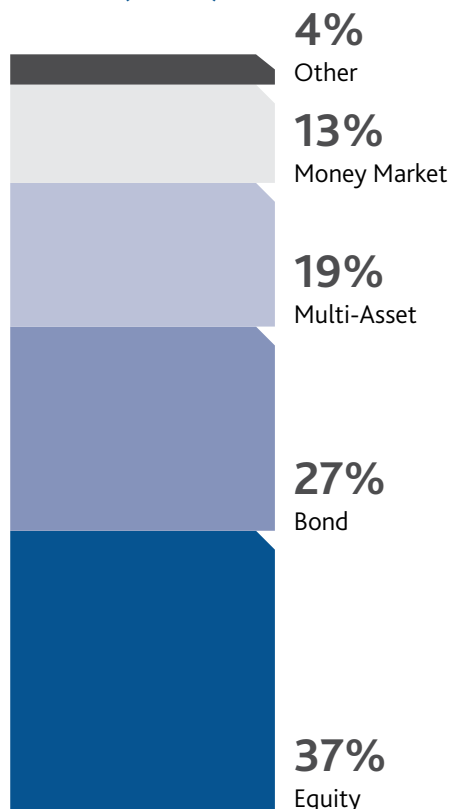
UCITS and AIFs

UCITS funds accounted for 61% of the total investment fund market at the end of 2018, compared to 73% ten years previously. The reason for this fall is twofold. First, AIF assets recorded higher growth rates than UCITS assets virtually every year since 2009, and second, the change to EFAMA classification that took effect in 2014, resulting in a re-assignment of €800 billion of assets from UCITS to AIFs.

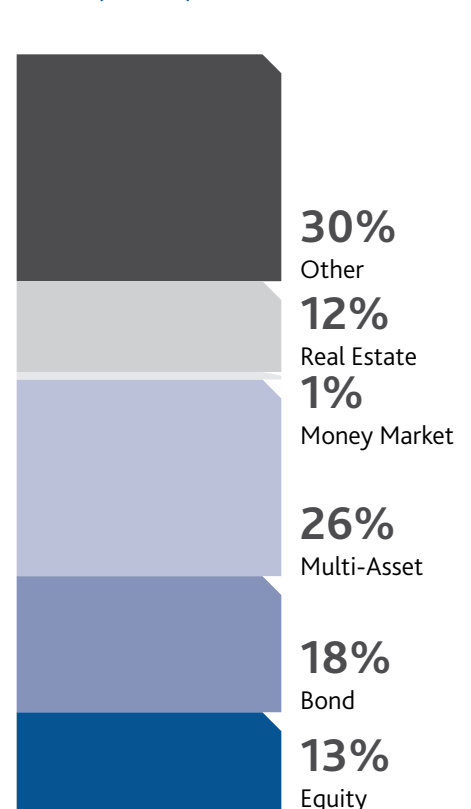
The evolution of UCITS assets over the last decade broadly reflects the trends in the European stock and bond markets. During the 2012-2017 period, a broad upswing in market sentiment, UCITS assets grew steadily. In 2018, however, stock market falls during the fourth quarter of 2018 saw net assets of UCITS decrease to €9.3 trillion. Net inflows into UCITS amounted to €121 billion in 2018 compared to €760 billion in 2017, and €304 billion on average for the 2009-2017 period. Despite positive net sales, UCITS assets declined during 2018 due to the sharp decline in stock markets at year end.

At the end of 2018, multi-asset funds held 26% of total AIF assets, followed by bond funds, equity, real estate and money market funds. So-called 'other' AIFs held the remaining 30%, which include various other fund types, such as securitisation funds, private equity, debt/loan funds and hedge funds, as well as others such as commodities funds. AIF net assets amounted to €5.9 trillion in 2018, a slight decrease from 2017. In 2018, net inflows in AIFs dropped to €139 billion from €224 billion in 2017 and an average of €150 billion in 2009-2017. AIF net asset growth remained stable in 2015-2017 at 7%, but turned negative in 2018 (-0.5%) despite positive sales.

Net Assets of UCITS (2018)

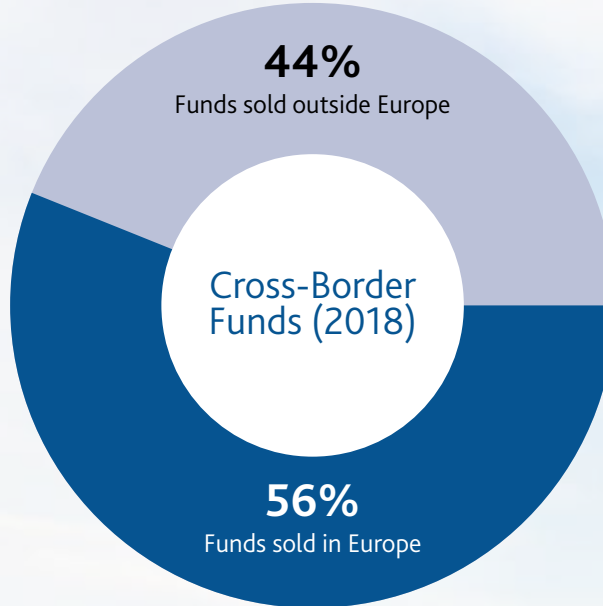


Net Assets of AIFs (2018)

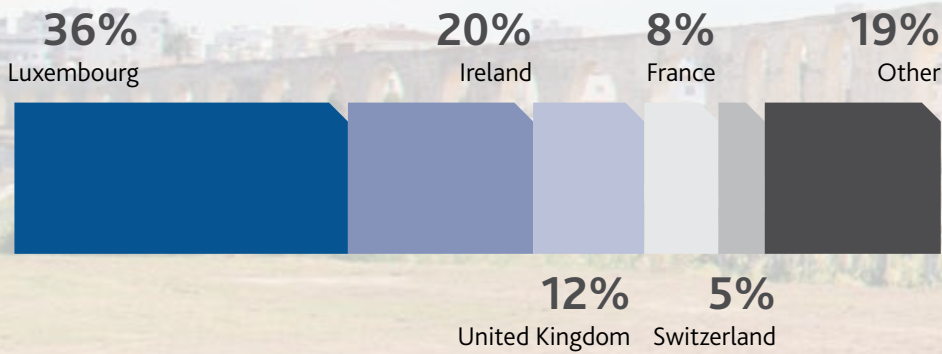


European Cross-Border Fund Market

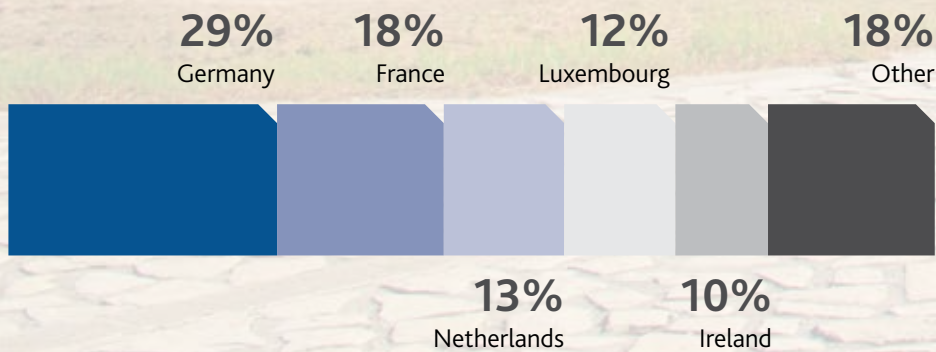
The size of the European cross-border fund market has grown strongly since 2008. Passports allow home-domiciled European funds to also be sold to investors abroad at both a European and international level. The cross-border market grew from €2.4 trillion, or 40% of total net assets of European funds in 2008, to €6.5 trillion, or 46% of the total fund market in 2018. This growth can be mostly attributed to the increase in cross-border funds sold in other European countries, illustrating the success story of UCITS and AIFs.



Top 5 Country Shares in UCITS Assets



Top 5 Country Shares in AIF Assets





*Kamares Aqueduct in Larnaca,
built in Roman style in 1746
and was in use until 1939*

2018 Worldwide Trends in Investment Funds

Source: EFAMA

Net assets of worldwide investment funds declined slightly by 1% to €43.9 trillion by the end of 2018. Despite market turmoil, net sales of global investment funds still totalled €987 billion in 2018 compared to an average of €1,203 billion over the 2009-2017 period. Over the past decade, worldwide investment fund net assets have increased by 172% thanks to market appreciation and net sales totalling €10.8 trillion.

Worldwide long-term funds recorded positive net inflows every year since 2009, with net sales dropping only in 2011, 2016 and 2018. Worldwide money market funds recorded net withdrawals over the period 2009-2013, returning to positive territory in 2014.



Gold necklace with pomegranates and dates with haematite cylinder as pendant from sanctuary at Ayios Iakovos, 14th-13th century BC

Inflows in equity funds reached €430 billion – representing 43% of the worldwide total in 2018 – followed by bond funds at €200 billion, other funds at €148 billion and multi-asset funds at €130 billion. Equity funds have enjoyed high demand in recent years, as the rise in stock markets strengthened investor confidence. Following a drop in 2016, net sales showed healthy recovery in 2017, but fell in 2018 to €430 billion. However, this level was still significantly higher than the average of €295 billion in 2009-2017.

Worldwide Investment Funds Assets (€ trillions)



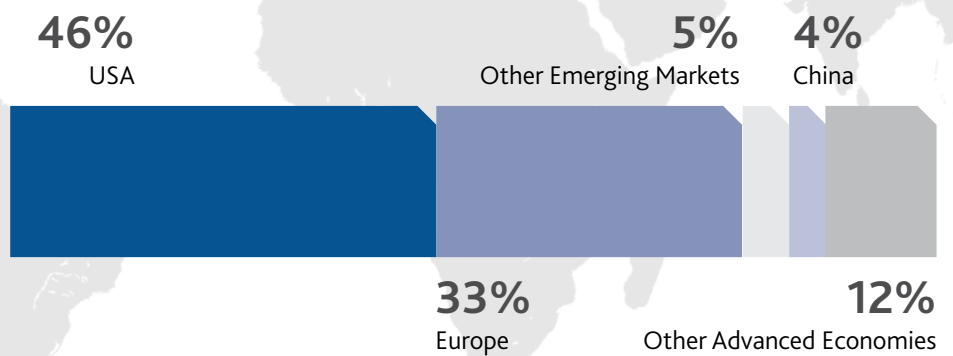
Worldwide Investment Funds Net Sales (€ billions)



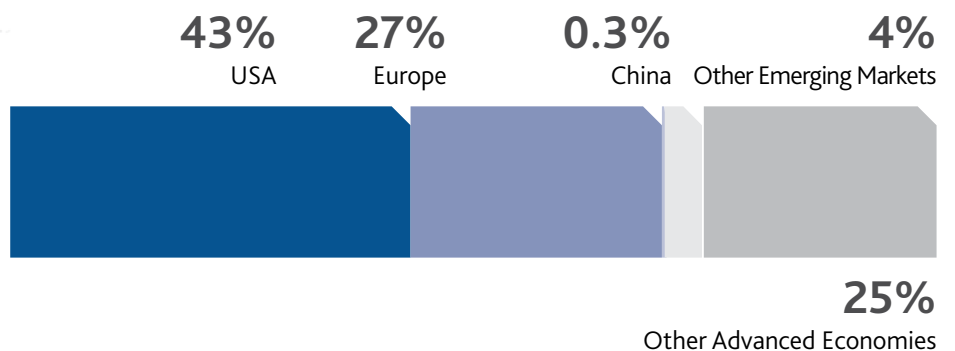
Market Shares

The market shares across regions have shown little change over the last ten years. The US continues to be the largest investment fund market with a market share of 46% in 2018, compared to 47% the previous year. Europe remains the second largest region in terms of net assets with a 33% market share, while emerging markets have risen from 6% in 2008 to 9% in 2018 – with China and Brazil representing the lion's share. The combined share of other advanced economies has remained stable since 2011, at around 12% of worldwide assets.

Worldwide Assets of Investment Funds by Region (2018)



Net Inflows into Worldwide Investment Funds by Region (2018)



About CIFA

Support and Development 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 over 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.

Local 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 was also accepted as a member of the International Investment Funds Association (IIFA) in April 2019, is an associate member of the International Capital Markets Association (ICMA) and has signed a Memorandum of Understanding (MoU) with The Chartered Institute for Securities & Investment (CISI). CISI is the leading professional body for securities, investment, wealth and financial planning professionals.

Strategic Relationships CIFA has boosted the visibility of Cyprus globally by establishing strategic relationships through which Cyprus funds are able to list on international fund platforms or organisations such as Clearstream, Refinitiv (ex-Thomson Reuters) and Bloomberg, with discussions currently underway with also Morningstar. 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.

*Opposite page: Copper ingot, ca. 1450–1050 BC
Cyprus is thought to have been the main producer of copper in the Late Bronze Age. The discovery off the coast of Anatolia at Ulu Burun of a Late Bronze Age shipwreck with a cargo of over ten tons of Cypriot copper ingots provides remarkable confirmation of the extensive international metals trade in which Cyprus clearly played an important role.*



OUR MISSION

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.

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.



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.

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.



Strengthening 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

Our Goals

Cooperation and consultation with supervisory and licensing authorities to establish an efficient system for implementing the 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

Establishing 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



**Charalambos
Phokas**
Board Member



**Omiros
Pissarides**
Board Member



**Charalambos
Prountzos***
Board Member



**George
Rologis**
Board Member



**Nicolas
Tantis**
Board Member



**Demetris
Taxitaris**
Board Member



**Panikos
Teklos**
Board Member

Opposite page: Silver-gilt bowl ca. 725–675 BC. The bowl is exceptionally significant for its high quality and amalgam of Egyptian, Assyrian and Phoenician features. Of great importance is an inscription above an Assyrianising figure killing a lion, a Cypriot syllabic inscription reads "I am [the bowl] of Akestor, king of Paphos."

*Charalambos Prountzos was appointed on 26.03.2019, replacing Savvas Pentaris who resigned on 4.3.2019

Activities

Developing the Fund Industry

Throughout 2019, 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.

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

CIFA has worked on a project of on-boarding Cyprus funds onto Clearstream and managed to conclude this successfully. As a result, Cyprus funds are now listed on Clearstream. Bloomberg has also started on-boarding Cyprus funds on its platform. The Clearstream and Bloomberg initiatives follow the strategic relationship established in 2018 between CIFA and Thomson Reuters (now Refinitiv), which resulted in Cyprus funds being listed for the first time on the Thomson Reuters platform giving the ability to Cyprus funds to be visible to more than 20,000 fund managers and investment fund professionals worldwide.

Another important development for CIFA is its acceptance as full member to the International Investment Funds Association (IIFA), while being also a full member of EFAMA and fully aligned with EU issues related to investment funds. The strong affiliation with the International Capital Markets Association (ICMA) and CIFA's associate membership status is also of strategic importance in the international capital markets. With the strategic alliance and MoU with the Chartered Institute of Securities and Investment (CISI), members of CIFA as well as professionals in Cyprus and the region have access to specialised training, capacity building and best practices.

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



Bowl of Red Polished Black-Topped ware from the cemetery of Bellapais - 'Vounous', 3rd millennium BC

Communication Activities

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



Cyprus Investment Funds Guide (September 2019)

The 2019 edition of CIFA's Cyprus 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 organised or attended by CIFA.



Cyprus Country Report (July 2019)

CountryProfiler's annual Cyprus Country Report is read by a high-calibre international audience of senior executives and professional advisors worldwide. The 192-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 the country and its industries.

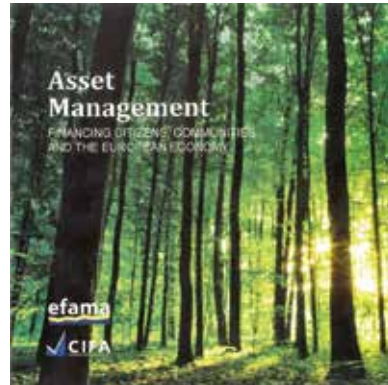


EFAMA Fact Book 2019 (17th Edition)

The European Asset Management Association (EFAMA) 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.

Asset Management: Financing Citizens, Communities and the European Community

CIFA introduced this asset management brochure to the fund industry of Cyprus as a resource tool that presents the vision statement of EFAMA, of which CIFA is a member. The brochure highlights the role and policy drivers of the asset management industry, which are sustainability and saving for the future, empowering citizens through digitisation and strengthening Europe in the global economy. The brochure identifies areas of society where asset managers can play a role or do more, and where the asset management sector would also need the help of legislators.



Khaleej Times Supplement (December 2018 and November 2019)

CIFA contributed articles to promote the Cyprus fund industry in the Gulf region in a special Khaleej Times supplement on Cyprus in December 2018 and November 2019. Khaleej Times is the first English newspaper to be launched in the UAE and has a multinational readership of 450,000. The broadsheet is the highest circulated of the English language newspapers throughout the Gulf. It reaches out to all parts of the UAE. Additionally, it covers Bahrain, Oman, Kuwait, Qatar and Saudi Arabia through a dedicated distribution network.

Khaleej Times

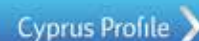
CyprusProfile.com

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. CIFA's 2019 Cyprus Investment Funds Guide is also 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, Sigmalive, Stock Watch, Phileleftheros, Kathimerini, Cyprus Mail, CyprusProfile.com, Gold News, Capital Today and Financial Mirror.





Mosaic with Apollo from House of Aion
in Kato Pafos, 4th century AD



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.

Cyprus – A Fund Domiciliation and Fund Management Centre

Breakfast and Lunch Roundtable Presentations

November 2019

Frankfurt & Munich, Germany

FECIF Conference 2019

November 2019

Brussels, Belgium

EFAMA 25th Investment Management Forum

November 2019

Brussels, Belgium

British High Commission – ICAEW – Cyprus UK Business Association event

Our Planet: Our Business – film screening and panel discussion

November 2019

Nicosia, Cyprus

Fund Forum Middle East and Emerging Markets – sponsored by Invest Cyprus

November 2019

Dubai, UAE

Fund Forum Asia – sponsored by Invest Cyprus

October 2019

Hong Kong

CIFA-CFA event

Real Estate Funds and Valuation

September 2019

Limassol, Cyprus

Cyprus Headquartering and Funds Summit

September 2019

Mumbai, India

6th Professional Services Forum

September 2019

Nicosia, Cyprus

Webinar: Cyprus – A Fund Domiciliation and Fund Management Centre

Breakfast & Lunch

June 2019

Germany

Cyprus Headquartering and Funds Summit – sponsored by Invest Cyprus

May 2019

Tel Aviv, Israel

0100 Conferences Cyprus

May 2019

Limassol, Cyprus

CIFA – Clearstream event

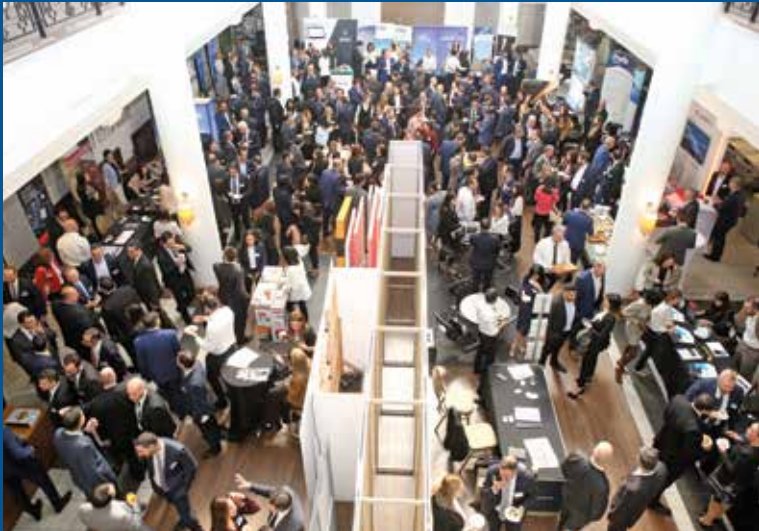
Cyprus Funds on Vestima Funds

Platform of Clearstream

February 2019

Nicosia

5th International Funds Summit November 2019, Nicosia, Cyprus



5th International Funds Summit November 2019, Nicosia, Cyprus





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.

Committee	Chairperson
▶ AIF Committee	Antonis Rouvas
▶ UCITS Committee	Alexios Kartalis
▶ Fund and Asset Management Committee	George W. Sams
▶ 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
▶ Anti-Money Laundering (AML) Committee	Giorgos Konstantinou
▶ Tax Committee	Neofytos Neofytou
▶ Statistics and Fund Research Committee	George Martides
▶ Training and Human Resource Committee	Charles Charalambous
▶ FinTech Committee	Antonis Houry
▶ Wealth Management Committee	Irene Procopiou



*Unusual terracotta
spouted jar with lid,
310–30 BC*

Technical Committee Summary Reports

AIF Committee

Chairperson:
Antonis Rouvas

The AIF Committee held three meetings during 2019. The most notable matters that were considered during the year and which were discussed in the said meetings were the following:

Legal and regulatory framework

The committee discussed the experience of the industry following the introduction of the new AIF Law in mid-2018. A specific area that was addressed was the initial experience and feedback on the new type of fund that was introduced with the new law, namely the Registered Alternative Investment Fund (RAIF).

Representatives from CySEC, the regulator, participated in two of the three meetings as part of the committee's effort to engage in a constructive dialogue of the industry with the regulator. This was beneficial for all involved as an opportunity was given to the committee members to communicate their views, issues and other matters directly to the regulator, as well as for the regulator to communicate any matters they deemed necessary. The CySEC representatives also shared general statistics with the committee, as well as their feedback on the first months of operation of RAIFs. Another area that was discussed with the regulator was the implementation of the transitional provisions for existing funds that had to comply with the provisions of the new law.

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

The latest trends in the funds industry were discussed and it was agreed that our goal is to attract more international fund managers to Cyprus, capitalising on the numerous benefits that Cyprus offers as a jurisdiction. To this extent it was noted that as an industry, we need to make sure that the services offered are of the highest quality and at least equivalent to other established jurisdictions. It was agreed that in order to attract larger fund managers, in terms of AUM, we need to target fund managers that are willing to have a slight change to their business model, use local depositaries, etc. It was suggested that as Cyprus we should make our case more appealing by emphasising other aspects and benefits of the country and not just tax benefits.

The banking system of Cyprus has been discussed noting that the financial crisis of 2013 has served in remedying the structural inefficiencies that existed beforehand. Currently, the banking system is well capitalised, it is supervised by the European Central Bank, and it has adopted robust risk management and corporate governance frameworks.

Other matters

A number of other issues concerning the Cyprus funds industry were also discussed, including the following matters:

- Light regime and AIFLNP – proportionality for Internal Audit and Compliance
- Substance expectations for self-managed funds
- Minimum AUM and 12-month period from licencing
- CySEC advanced certification

Future goals of the committee

The committee agreed that more targeted promotion to international fund managers should continue leveraging on the unique advantages that Cyprus offers as a jurisdiction of choice for establishing fund management entities as well as funds.



UCITS Committee is meeting regularly every second month. The main target of the committee is to increase awareness in the local market and make the product known and familiar to the investors.

**UCITS
Committee**
Chairperson:
Alexios Kartalis

The following actions have already been taken

- Prices of all local UCITS are now uploaded on CIFA website on a weekly basis
- Two presentations have been given to SELK members, one to Nicosia and one to Limassol, to present the product to accountants
- A presentation was given to the Cyprus Bar Association to present the product to lawyers
- An agreement is close to be made with IMH to promote UCITS funds from their media
- A request was made to CySEC to extend the deadline for the submission of the quarterly report that was accepted. That offers great relief to the management companies

Next steps

- The committee will look on the tax issues around UCITS
- The committee will continue to make targeted presentations to selected audiences

The committee has already been held four times and a number of actions were taken or are under execution. The main objective of the committee is the support, development and growth of the fund and asset management industry in Cyprus. Among the issues discussed were how to promote Cyprus, how to approach international asset managers that have operations in Cyprus and tax framework for asset managers and investors.

**Fund and
Asset
Management
Committee**
Chairperson:
George W. Sams

Statistics

We have liaised with the person in charge for statistics from CIFA, and we have concluded that assets deriving from DAM mandates and advisory services are not captured by CySEC on a permanent basis, therefore we have met CySEC officials and related info have been asked from CySEC through QSTMC reporting (quarterly). Although progress has been made in the collection of AUM from financial entities, this is not the case for banks. Members of the committee will investigate further, in order to present figures for the whole industry.

Tax

The chairperson of the committee provided a benchmark study of what is applicable to other jurisdictions for the purpose of comparison with Cyprus. Following our efforts to explore tax initiatives for Cypriot funds, we came to the conclusion that there is different treatment (taxwise) for fund investors with other financial industries (pension-unit link). The idea here is to seek to harmonise the tax treatment for investors in Cypriot funds in a way that is consistent with the treatment on offer to investors in other financial services industries in Cyprus, and in a way that is broadly consistent and compatible with the approach taken in other EU Member States. In this context our members came into contact with members of the Ministry of Finance to set a meeting with the people in charge from the ministry and elaborate on the issue.

Operational and regulatory issues of asset management

The members of the committee raised various issues that need to be addressed by the CIFA's Board of Directors and CySEC. Below an overview of concerns raised by the committee members:

- Segregation of assets in case of umbrella; Ireland example

- Limited Partnership, the LP is quite a popular product for investors outside Europe. However, the current Partnership Law is outdated and in consequence Cyprus seems to lack a solid product for LP funds. The members discussed the example of Ireland, which is in the process of updating its legal framework for LPs
- AIFMs with extension of their license to manage UCITS cannot manage AIFLNP, whereas UCITS Mancos can act as manager of AIFLNP. The members of the committee discussed about their concern on the ambiguity that might be caused for the specific scenario.

Morningstar

The committee chair informed the members about CIFA's initiative to upgrade Cyprus-domiciled funds from category 3 to category 2 at Morningstar. A conference call was set up in order to elaborate the onboarding process of Cypriot funds.

Communication with other fund managers

A letter prepared by the committee has been addressed to all CIFA members in order to meet other fund managers and to discuss issues faced by industry participants. Feedback will be sent to the BoD of CIFA.

Presentation to ICPAC

Presentation from our chairman George Sams to ICPAC, the fund industry in Cyprus in Limassol.

Brief outlook for the future

- Explore the opportunity to connect with other asset managers and organise meet up events
- Clear statistics of fund and asset management in the Republic of Cyprus
- The members of the committee that represent banks established in Cyprus will investigate the statistics sent for AM related business by their banks
- Tax incentives for Cypriot funds, meeting with members of the Ministry of Finance. Request to amend law for segregation of assets in case of umbrella
- Morningstar onboarding Cypriot funds

Funds Distribution Committee

**Chairperson:
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.

It was with great enthusiasm that we worked during the first year and tried to implement our goals during the second year. The most noticeable achievement was the video 'Why Cyprus' produced and included on the CIFA website.

In 2019 we addressed the issues surrounding the matters between publicised and actual RAIF set-up times. We were keen to ensure that a standardised application could actually be turned around inside the publicised four weeks. We met with CySEC to confirm and received confirmation that this can and will be the case provided:

- The paperwork submitted is complete
- The paperwork submitted is accurate
- The Mem and Arts tie in with (complement) the offering document
- The Manager has a current license with approval for the correct ESMA category to manage the envisioned RAIF
- Approval should then take 1-2 weeks.



Individually the committee members have all sought to attract managers UCITS, AIFs and RAIFs. We will report next year upon the success of our ventures including numbers, titles and AUM. These efforts will continue into 2020.

The committee proceeded its workings and aims at meeting every first Tuesday of the month or when circumstances merit a meeting. The objectives of the committee were re-stated in the 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 requirements as prescribed by the AIF Law for the appointment of custodian and depositary service providers to funds were transposed in a comprehensive table and circulated to all CIFA members. Members of our committee worked very closely with the Head of the Legal Committee in drafting/redrafting the proposed Fund Administration Services Law that is currently with 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.

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.

Finally, there are discussions and workings to present to the board a plan to split the committee into two, separating the fund administration from the custody services, due to the diversity of technical expertise required to cover these two subjects. 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.

Fund Administration and Custodian Services Committee

Chairperson:

Andreas Athinodorou

Legal and Regulatory Committee

Chairperson:
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 the new 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 new directives of CySEC, leading to suggestions for amendments in the AIF Law and review the new Fund Admin Services Law. The chair 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 chair 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

Chairperson:
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, and according to its terms of reference, the committee monitors on an ongoing basis development at both local and global level, in an attempt to identify areas where further guidance may be required. Furthermore, amongst the committee's primary objectives, is the enhancement of its relationships with the regulator, market participants and service providers of the industry, in order to identify regulatory and market needs and develop available solutions. Looking ahead to the next year, the committee will continue its work on the basis of its current terms of reference and will primarily focus its activities on monitoring and evaluating market and regulatory developments in the areas of ethics and risk management, arising primarily from new regulations and directives, so to develop practical tools and guidance to our members to be able to address such new requirements within their own practices.



The following report has been prepared to summarise the activities undertaken during the current year on behalf of CIFA AML Committee.

Completed actions:

- Preparation of AML section for EFAMA report prepared at the beginning of the year (2019)
- Meeting with the chairwoman of CySEC, Demetra Kalogirou, to discuss the CBC directive, the challenges that the fund industry is facing and the need to arrange for an AML training prior to Moneyval monitoring visits
- Preparation and delivery of AML seminar – speakers meetings, material preparation, invitation preparation and release, facilities and venue reservation, AML seminar delivery
- Meeting with the CEO of the International Compliance Association (ICA) to discuss the key challenges of the fund sector from an AML angle, other challenges and training needs

Pending completion until the end of 2019:

- Meeting with the chairmen of the other CIFA Technical Committees in order to discuss the AML issues they are facing and also understand their needs in terms of training
- Proposed to the Board of CIFA a half day seminar that will cover AML and other related compliance matters for early next year

Brief outlook for the future:

Boardroom people and professionals dealing with the AML and regulatory matters within the industry are expected to see more intensive efforts from the regulators over the upcoming years, especially after the results of Moneyval report for Cyprus. The speed of change in technology will result in a more expensive and complex fight against crime, terrorism and money laundering. Inevitably the technology will be an inherent and invaluable part of all efforts against money laundering, however the human element will be the cornerstone in making any system successful and productive, hence ongoing training and upskilling will be a key element for all practitioners within the industry. Companies will have to direct considerable resources in order to develop quicker and more secure ways to comply with AML regulations, through the employment of the right technology, revamping their policies and procedures, and investing in engaging with the best possible consultants in the risk advisory field to seek for support.

For the last year the Tax Committee has participated in discussions with the Ministry of Finance and the Tax Department of Cyprus in implementing practical solutions to the reporting requirements for funds and fund managers on the taxation of income earned by the funds from sources within Cyprus, as well as the taxation of income in the hands of tax-resident investors. The views of the industry on the issue were taken into consideration in order to avoid imposing unnecessary reporting requirements. Various alternatives are still discussed with the Ministry of Finance and it should be expected that, once the discussions are concluded, the appropriate legislation will be drafted to be approved by the House of Representatives. The chairman also attended a meeting of the Finance Committee of the House of Representatives, which discussed changes in the Cypriot tax legislation in order to comply with the EU ATAD Directive. The committee chair actively participated in the meeting of the business community which effectively changed the Government's announced plans to increase the corporate tax rate.

Anti-Money Laundering (AML) Committee

Chairperson:
Giorgos
Konstantinou

Tax Committee

Chairperson:
Neofytos
Neofytou

Statistics and Fund Research Committee

Chairperson:
George Martides

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

- establishing smooth and efficient channels of communication with the relevant regulatory authorities – specifically the Cyprus Securities and Exchange Commission (CySEC) and the Central Bank of Cyprus (CBC) – to ensure the availability of data required for both internal reporting and reporting to EFAMA
- collecting and analysing data on local UCITS and non-UCITS (the latter including AIFs, AIFLNs and RAIFs)

The most important achievements of our committee during 2019 were the listing of more than 30 funds on the Refinitiv Platform (ex-Thomson Reuters), which is visible to more than 20,000 global asset managers and related professionals, as well as on the Bloomberg Terminal, with which we have also organised a successful event in Cyprus this year. The success of the event marked the start of similar events with Bloomberg to take place on a regular basis. During 2019, we also got involved in discussions with Morningstar with the prospect of making Cyprus funds eligible to be listed on the Morningstar platform. Morningstar is considered quite influential in the investment management industry and its ratings and recommendations often drive billions of dollars into or away from a fund.

Similar to previous years, in 2019 we provided EFAMA with monthly and quarterly statistics of Cyprus authorised and registered funds including net assets, net sales and number of funds. In addition, we received a number of ad-hoc requests from EFAMA such as the preparation of AUM of Cyprus funds and the preparation of the Cyprus Country report. CIFA joined IIFA in 2019 where a set of statistical information was prepared and submitted by the Statistics and Fund Research Committee.

The discussions with Morningstar are expected to continue in 2020 where further statistical information will need to be prepared and presented to Morningstar representatives by the committee. In addition, the committee will continue to prepare the statistics for the Cyprus funds for submission to EFAMA and IIFA on a monthly, quarterly and on an annual basis. As the Cyprus funds industry grows, the committee expects that new professionals will need to join the committee and provide their experience and knowledge to meet the requirements of the various authorities.

Training and Human Resource Committee

Chairperson:
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 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 2019 CISI Gala Dinner held at the Four Seasons, Limassol.

- Promoting Financial Products with the CISI and EIMF
- Integrity at Work with the CISI and EIMF
- Technology Risks in Financial Services – A Different Perspective
- CISI Annual Integrity Event – Speak up? Listen up? Whistle-blow? – Learning from Real Life Dilemmas

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 2019-2020, in collaboration with the CISI and other institutions in various fields of relevant to the industry and other pertinent events in coordination with CISI.

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.

**FinTech
Committee**
**Chairperson: Antonis
Houry**

Wealth Management Committee

Chairperson: Irene Procopiou

A rather newly established committee, the Wealth Management Committee aims to represent the interests of the wealth management community locally and meet at least once a quarter. It consists of locally based wealth management professionals both from the banking as well as from the professional service providers side (such as family office service providers, accountants and wealth planners), representing both local and foreign interests. The committee's main focus in 2019 was to discuss the operating environment of wealth management practitioners based in Cyprus, identify the advantages, opportunities and challenges currently faced by the industry locally and to compare these with those of wealth management practices overseas. To this end a framework had been developed to form the basis for a comparison of the Cyprus offering with that of more established jurisdictions and to seek ways to promote Cyprus as a wealth management destination.

It is evident that while Cyprus made headway in other related finance fields in the last few years, the wealth management services sector is still not as developed as it could be given the size and type of clients currently operating through Cyprus. While there is a significant increase in locally based experienced professionals operating in the field, many of whom with broad working experience overseas, the vast majority of the assets under management that could be served through Cyprus still goes to overseas institutions with no or limited local presence. An apparent obstacle, other than reputation, seems to be the rather onerous compliance requirements imposed by local institutions as compared with overseas counterparts. As a result, the committee wishes to discuss and propose to the various stakeholders ways which can perhaps assist in reducing the red tape in order to make the local offering more attractive.

Given the client base and expertise of local practitioners, it transpires to the committee that Cyprus can make some quick wins and become more visible through more active involvement in family office type services. The term 'family office' is used to describe the private vehicle of a family and its next generations and can provide business opportunities across the spectrum of the professional service providers and banking institutions. Promoting Cyprus as a possible jurisdiction for high-net-worth families to establish their own family office on the island, by communicating and advocating substance and access to local providers will continue to be a key topic for the committee going forward.

Looking ahead, the committee wishes to promote the wealth management sector further by focusing and developing on the strengths of the local offering, and by trying to solve issues that hinder the development of this business. Lastly, it was decided that we need to increase the visibility of this sector through targeted articles locally and overseas demonstrating the advantages and capabilities offered in Cyprus, and through active participation in overseas and local wealth management related forums.



CIFA Strategic Partners

alterDomus*

Alter Domus (Cyprus) Limited

Tel: +357 22 465 151

Website: www.alterdomus.com

 **ATG** Fund Services

ATG Fund Services Limited

Tel: +357 22 057 570

Website: www.atgfunds.com

Bank of Cyprus 

Bank of Cyprus Public Company Limited

Tel: +357 22 128 000

Website: www.bankofcyprus.com

 **CPF**
Fund Administration Services

CyproFund Administration Services Limited

Tel: +357 22 474 000

Website: www.cpf.com.cy

Deloitte.

Deloitte Limited

Tel: +357 22 360 300

Website: www.deloitte.com

 **EFFECT**
fintech decoded

EFFECT Software Solutions

Tel: +30 21 0825 6790

Website: www.effect.gr

 **Eurobank**
Cyprus

Eurobank Cyprus Limited

Tel: +357 22 008 000

Website: www.eurobank.com.cy

 **EY**
Building a better
working world.

EY Cyprus

Tel: +357 22 209 999

Website: www.ey.com/cy



GMM Global Money Managers

Tel: +357 22 205 858

Website: www.global-mm.com

The logo for Harneys consists of the word 'HARNEYS' in a bold, black, sans-serif font, enclosed within a thin black rectangular border.

HARNEYS Aristodemou Loizides Yiolitis LLC

Tel: +357 25 820 020

Website: www.harneys.com



Invest Cyprus

Tel: +357 22 441 133

Website: www.investcyprus.org.cy



KMG Capital Markets

Tel: +357 25 818 412

Website: www.kmgcapitalmarkets.com



KPMG Limited

Tel: +357 22 209 000

Website: www.kpmg.com.cy



Numisma Capital

Tel: +357 22 455 677

Website: www.numismagroup.com



Point Nine Limited

Tel: +357 25 028 241

Website: www.p9ft.com



PwC Cyprus

Tel: +357 22 555 000

Website: www.pwc.com.cy



Systemic Cyprus

Tel: +357 22 022 623

Website: www.systemic-rm.com



Treppides Fund Services Limited

Tel: +357 22 678 944

Website: www.treppidesfs.com



CIFA Corporate Membership

Abacus Ltd

+357 22 555 800
www.abacus.com.cy

Areti Charidemou & Associates LLC

+357 25 508 000
www.aretilaw.com

BAO Capital Partners Ltd

+357 22 021 606
www.baocapital.com

Activuserve

+357 22 764 797
www.activuserve.com

AstroBank (Cyprus) Ltd

+357 22 575 555
www.astrobank.com

BDO Cyprus

+357 22 495 707
www.bdo.com.cy

**Aliatis Energy and Property
AIFLNP V.C.I.C. Ltd**

+357 25 508 400
www.aliatisfund.com

ATG Fund Services

+357 22 057 570
www.atgfunds.com

Bizserve Consultants Limited

+357 22 375 504
www.bizserve.eu

Alpha Bank

+357 22 888 888
www.alphabank.com.cy

Athos Group

+357 22 422 232
www.athos-group.com

BKMS Limited

+357 22 265360
www.bkmsgroup.com

Alter Domus (Cyprus) Ltd

+357 22 465 151
www.alterdomus.com

Atonline Limited

+357 22 680 015
www.atonint.com

Blue House Investment Advisors Ltd

+357 25 281 683
www.bluehouseinvestmentadvisor.com

AMF Global

+357 25 585 583
www.amf-global.com

Axia Ventures

+357 22 742 000
www.axiavg.com

C. Savva & Associates Ltd

+357 22 516 671
www.savvacypus.com

Amicorp (Cyprus)

+357 22 504 000
www.amicorp.com

Baker Tilly South East Europe

+357 22 458 500
www.bakertilly.com.cy

cdbbank

+357 22 846 500
www.cdb.com.cy

Andreas M. Sofocleous & Co LLC

+357 25 849 000
www.sofocleous.com.cy

Bank of Cyprus PLC

+357 22 128 000
www.bankofcyprus.com.cy

Centaur Trust Group

+357 22 499 994
www.centaurtrust.com



**Christodoulos G.
Vassiliades & Co. LLC**
+357 22 556 677
www.vasslaw.com

Christos Patsalides LLC
+357 22 677 677
www.patsalides.com.cy

Chrysanthou & Chrysanthou LLC
+357 22 677 443
www.chryslaw.com

Chrysostomides
+357 22 777 000
www.chrysostomides.com

Chrysses Demetriades & Co LLC
+357 25 800 000
www.demetriades.com

Citigrade Capital Ltd
+357 25 004 550
www.citigrade-capital.com

Costas Indianos & Co
+357 22 675 231
www.indianos.com.cy

CP Palema
+357 25 960 000
www.palema.net

Crowe Cyprus
+357 22 755 656
www.crowe.com/cy

CX Financia
+357 22 323 461
www.cxfinancia.com

**CyproFund Administration
Services Limited - CPF**
+357 22 474 000
www.cpf.com.cy

Cyroman Services Ltd (CPM)
+357 22 474 000
www.cpm.com.cy

Cyprus Bar Association
+357 22 873 300
www.cyprusbarassociation.org

Cyprus Fiduciary Association
+357 22 256 263
www.cyfa.org.cy

**Cyprus International Institute
of Management**
+357 22 462 246
www.ciim.ac.cy

Deloitte (Cyprus)
+357 22 360 300
www.deloitte.com

Demetra Investments Public Ltd
+357 22 818 222
www.demetra.com.cy

Demetrios A Demetriades LLC
+357 22 769 000
www.dadlaw.com.cy

DFG Capital (Cyprus) Ltd
+357 22 761 400
www.dfgcapital.com

DFK Cyprus
+357 22 879 300
www.dfky.com

Dimacos Capital Ltd
+357 25 020 104
www.dimacos.com

E & G Economides LLC
+357 25 866 480
www.economideslegal.com

**Easternmed Asset
Management Services Ltd**
+357 22 274 400
www.eastmedfin.com

**EFG Bank (Luxembourg)
S.A., Cyprus Branch**
+357 22 025 903
www.efginternational.com

Emergo Wealth Ltd
+357 22 449 122
www.emergowealth.net

Eurobank Cyprus Ltd
+357 22 208 000
www.eurobank.com.cy

Eurofast
+357 22 699 222
www.eurofast.eu

**European Institute of
Management and Finance**
+357 22 274 470
www.eimf.eu

Exsus Trust
+357 22 877 120
www.exsusinternational.com

EY Cyprus
+357 25 209 999
www.ey.com

Fidescorp Limited
+357 22 262 844
www.fides-corp.com

Fiduserve Management Limited
+357 22 418 200
www.fiduserve.com

FINCAP Fund Solutions
+357 22 277 222
www.fincapfs.com



CIFA Corporate Membership

Fortified Capital Ltd
+357 22 367 610
www.forticap.eu

HLB Cyprus Limited
+357 22 002 700
www.hlb.com.cy

KMG Capital Markets Ltd
+357 25 818 412
www.kmgcapitalmarkets.com

G. Apostolou & Co. LLC
+357 22 028 888
www.apostouloulaw.com

Ioannides Demetriou LLC
+357 22 022 999
www.idlaw.com.cy

KPMG Limited (Cyprus)
+357 22 209 000
www.kpmg.com.cy

Georghios Colocassides LLC
+357 22 459 345
www.cohalaw.com

IKOS CIF Ltd
+357 25 814 714
www.ikos.com.cy

Ledra Management Ltd
+357 22 400 500
www.ledramanagement.net

GlobalServe Consultants Ltd
+357 25 817 181
www.globalserve.com.cy

Intertrust Cyprus
+357 25 257 120
www.intertrustgroup.com

M. Eliades & Partners LLC
+357 22 667 730
www.eliades.eu

GMM Global Money Managers Ltd
+357 22 205 858
www.global-mm.com

Invest Cyprus
+357 22 441 133
www.investcyprus.org.cy

MAP S.Platis
+357 25 351 335
www.mapsplatis.com

GPB-Financial Services Limited
+357 25 055 000
www.gpbfs.com.cy

InvestCor Corporate Ltd
+357 25 000 333
www.investcor.eu

Marcuard Heritage (Europe) Ltd
+357 25 814 870
www.marcuardheritage.com

GQS Services Limited
+357 22 660 183
www.gqs-services.com

IQ-EQ
+357 22 749 000
www.iqeq.com

Mellstock Limited
+357 25 345 351
www.mellstock.com

Hanseatic Capital Management Ltd
+357 25 859 288
www.hanseatic-cm.com

Joannides + Co Ltd
+357 22 556 556
www.joannides.com.cy

Merit Fixed Income Fund Limited
+357 25 857 900
www.meritfixed.com

**Harneys Aristodemou
Loizides Yiolitis LLC**
+357 25 820 020
www.harneys.com

K Argyridou & Associates LLC
+357 22 000 408
www.argyridou.com

MFO Asset Management Ltd
+357 22 692 030
www.mfoasset.com

Haviaras & Philippou L.L.C
+357 22 764 001
www.haviarasphilippoullc.com

K. Treppides & Co Limited
+357 22 678 944
www.treppides.com

MNK Risk Consulting Ltd
+357 25 508 202
www.mnkriskconsulting.com

**Hellenic Bank Public
Company Limited**
+357 22 500 500
www.hellenicbank.com

Kinanis LLC
+357 22 558 888
www.kinanis.com

Mouflon Real Estate Fund Limited
+357 22 873 380
www.mouflonfund.com



Nexia Poyiadjis Chartered Accountants
+357 22 456 111
www.nexia.com.cy

Nobel Trust Ltd
+357 22 022 777
www.nobeltrust.com

Numisma Capital Limited
+357 22 455 677
www.numismagroup.com

PanGlobe
+357 22 451 222
www.panglobe.com.cy

PCS SA
+30 210 62 66 900
www.pcs.gr

Pelagias, Christodoulou & Vrachas LLC
+357 22 764 216
www.pelagiaslaw.com

Point Nine Limited
+357 25 028 241
www.p9ft.com

Polakis Sarris & Co LLC
+357 22 456 000
www.polakissarris.com

Profile Software
+357 22 458 050
www.profilesw.com

Prospersgate Fund
+357 25 581 005
www.prospersgate.com

PwC Cyprus
+357 22 555 000
www.pwc.com.cy

Reanda Cyprus Ltd
+357 22 670 680
www.reandacyprus.com

Renaissance Insurance Brokers
+357 22 311 662
www.rnbrokers.com

Rimes Technologies (Cyprus) Ltd
+357 22 029 706
www.rimes.com

RMG Holding Ltd
+357 22 447 024
www.rmgh.eu

Royal Pine & Associates Ltd
+357 25 040 404
www.royalpine.com

SCSS Fund Management Ltd
+357 22 376 006
www.scSSFunds.com

Seamark Consultants Ltd
+357 25 504 000
www.seamark.com.cy

Sova Asset Management (CY) Ltd
+357 25 249 444
www.sova-am.com

SPA Financial Services Ltd
+357 22 028 585
www.spafs.com

Stelios Americanos & Co LLC
+357 22 465 500
www.americanoslaw.com

T.C.R. International Ltd
+357 22 866 200
www.tcr-int.com

Tassos Papadopoulos & Associates
+357 22 889 999
www.tplaw.com.cy

The Institute of Certified Public Accountants of Cyprus
+357 22 870 030
www.icpac.org.cy

TMF Group Cyprus
+357 22 451 327
www.tmf-group.com

Tornaritis Law LLC
+357 22 456 056
www.tornaritislaw.com

Treppides Fund Services
+357 22 678 944
www.treppidesfs.com

Trident Trust Company (Cyprus) Ltd
+357 25 820 650
www.tridenttrust.com

VB Partners
+357 25 279 000
www.vbpartners.com.cy

VGDA Accountants Limited
+357 22 300 900
www.vgda.com.cy

Vistra (Cyprus) Limited
+357 25 817 411
www.vistra.com

Wealth Fund Services Ltd
+357 22 755 507
www.wealthfs.com.cy



Report and Financial Statements

for the year ended 31 December 2018

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Angelos Gregoriades - President
George Kampanellas - Vice President
Andreas Yiasemides - Vice Chairman
Marios Tannousis - Secretary
Constantinos Papanastasiou - Member
Christoforos Antoniadis - Member
Andreas Athinodorou - Member
Charalambos Fokas - Member
Omiros Pissarides - Member
George Rologis - Member
Demetris Taxitaris - Member
Marinos Christodoulides - Member
Nicholas Tantis - Member
Panikos Teklos - Member
Charalambos Prountzos* - Member
Antonis Antoniou - Member
Christos Kalogeris - Member

Independent Auditors

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

Registered address

9 Makarios III Avenue, Severis Building, 4th floor
Nicosia 1065 - Cyprus

Bankers

Bank of Cyprus Public Company Ltd
Hellenic Bank Public Company Ltd

**Charalambos Prountzos was appointed on 26.03.2019, replacing Savvas Pentaris who resigned on 4.3.2019*

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Cyprus Investment Fund Association (CIFA) (the "Association") presents to the members its Report and audited financial statements of the Association for the year ended 31 December 2018.

Principal activities and nature of operations of the Association

The principal activities of the Association, which are unchanged from last year, are to act as the single unified representative body of the industry in Cyprus, representing the sector in economic missions to promote and support the development of the Cyprus Investment Fund industry, provide support to its members in knowledge building through regular educational programs and encourage maintenance of industry standards and professionalism.

Results

The Association's results for the year are set out on page 46.

Board of Directors

The members of the Association's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 42. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

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, 25 November 2019



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 46 to 55 and comprise the statement of financial position as at 31 December 2018, 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 2018, 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, and 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 scepticism 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, 25 November 2019



STATEMENT OF INCOME AND EXPENSES

	2018	2017
	€	€
INCOME		
Subscriptions and registration fees	46.600	48.800
Bank interest received (net)	2	17
Donations and sponsorships	1.000	8.000
KWM project - deferred income released	-	11.858
Unrealised exchange gain	25	-
Total revenue	47.627	68.675
EXPENSES		
Sundry expenses	200	600
Stationery and printing	179	-
Subscriptions and contributions	7.220	7.102
Advertising expenses	4.795	1.190
Website expenses	417	-
Auditors' remuneration for the statutory audit of annual accounts	1.190	1.190
Accounting fees	2.142	2.142
Consultancy fees	12.500	-
Hospitality and event expenses	51.568	12.675
Bank charges	429	340
Provision for bad debts	7.200	-
Total expenses	87.840	25.239
(Deficit)/surplus for the year	(40.213)	43.436

The notes on pages 50 to 55 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2018 €	2017 €
ASSETS			
Current assets			
Trade and other receivables	8	21.600	20.200
Cash and cash equivalents	9	122.809	164.900
Total assets		144.409	185.100
SURPLUS AND LIABILITIES			
Fund account		139.822	180.035
Total surplus		139.822	180.035
Current liabilities			
Trade and other payables	10	4.587	5.065
		4.587	5.065
Total surplus and liabilities		144.409	185.100

On 25 November 2019 the Board of Directors authorised these financial statements for issue.

Angelos Gregoriades
President

Marios Tannousis
Secretary

The notes on pages 50 to 55 form an integral part of the financial statements.



STATEMENT OF FUND ACCOUNT

	Surplus €	Total €
Balance at 1 January 2017	136.599	136.599
Surplus for the year	43.436	43.436
Balance at 31 December 2017/ 1 January 2018	180.035	180.035
Deficit for the year	(40.213)	(40.213)
Balance at 31 December 2018	139.822	139.822

The notes on pages 50 to 55 form an integral part of the financial statements.

CASH FLOW STATEMENT

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/surplus for the year		(40.213)	43.436
Adjustments for: Unrealised exchange (profit)		(25)	-
Interest income		(2)	(17)
		(40.240)	43.419
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(1.400)	16.000
Decrease in trade and other payables		(478)	(26.289)
Cash (used in)/generated from operations		(42.118)	33.130
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2	17
Net cash generated from investing activities		2	17
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange profit		25	-
Net cash generated from financing activities		25	-
Net (decrease)/increase in cash and cash equivalents		(42.091)	33.147
Cash and cash equivalents at beginning of the year		164.900	131.753
Cash and cash equivalents at end of the year	9	122.809	164.900

The notes on pages 50 to 55 form an integral part of the 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 a single unified representative body of the industry in Cyprus. Its registered office is at 9 Makarios III Avenue, Severis Building, 4th floor, Nicosia, 1065, Cyprus.

Principal activities

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention.

3. Adoption of new or revised standards and interpretations

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 2018. This adoption did not have a material effect on the accounting policies of the Association.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments applied till 31 December 2017 are presented in note 13.

Revenue

Recognition and measurement

Revenue comprises the invoiced amount for services, net of rebate and discounts. Revenue earned by the Association is recognised on the following bases:

- **Subscription income**

Subscription income receivable is recognised on an accrual 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 assets - Classification

From 1 January 2018, the Association classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Association's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Association may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Association commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Association has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Association measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - impairment - credit loss allowance for ECL

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables the Association applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Association exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event.

The Association may write-off financial assets that are still subject to enforcement activity when the Association seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank.



4. Significant accounting policies (*continued*)

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.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Association holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Association applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Association, and a failure to make contractual payments for a period of greater than 365 days past due.

5. New accounting pronouncements

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.

6. 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:

6.1 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures outstanding receivables.

(i) Impairment of financial assets

The Association has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- cash and cash equivalents

Trade receivables

The Association applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, lease contracts and contract assets).

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Association defines default as a situation when the debtor is more than 365 days past due on its contractual payments.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Association, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 365 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

6.2 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. The Association has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

7. 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.

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 is revenue from 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



8. Trade and other receivables

	2018	2017
	€	€
Trade receivables	21.600	20.200
	21.600	20.200

Trade receivables for the year ended 31 December 2018, include a provision for bad debts amounting to €7.200. No provision has been recognised for ECL as the amount is immaterial.

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 6 of the financial statements.

9. Cash and cash equivalents

Cash balances are analysed as follows:

	2018	2017
	€	€
Cash at bank	122.809	164.900
	122.809	164.900

The fair value 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 6 of the financial statements.

10. Trade and other payables

	2018	2017
	€	€
Accruals	2.187	5.065
Deferred income	2.400	-
	4.587	5.065

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

11. Contingent liabilities

The Association had no contingent liabilities as at 31 December 2018.

12. Commitments

The Association had no capital or other commitments as at 31 December 2018.

13. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9, are as follows.

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.

14. 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 44 to 45

