

## **What is an Alternative Investment Fund Manager (AIFM)?**

Each AIF (Alternative Investment Fund) shall have a single AIFM, which shall be responsible for ensuring compliance with the AIFM Law.

### **The AIFM shall be either**

- a) an external manager, which is the legal person appointed by the AIF or on behalf of the AIF and which through this appointment is responsible for managing the AIF (external AIFM), or
- b) Internally managed, i.e. where the legal form of the AIF permits an internal management and where the AIF's governing body chooses not to appoint an external AIFM, in which case the AIF itself shall act as AIFM.

## **Alternative Investment Fund Manager Functions**

**The AIFM** shall engage, at least, in the following core investment management functions when managing an AIF:

- A. Portfolio management
- B. Risk management.

**The AIFM** may additionally be authorised to perform any of the following functions in the course of the collective management of an AIF:

- Administration
- Legal and fund management accounting services
- Customer inquiries
- Valuation and pricing, including tax returns
- Regulatory compliance monitoring
- Maintenance of unit/shareholder register

- Distribution of income
- Issues and redemptions of unit/shares in the AIF
- Contract settlements, including certificate dispatch
- Record keeping
- Marketing services
- Activities related to the assets of the AIF, namely services necessary to meet the fiduciary duties of the AIFM, facilities management, real estate administration activities, advice to undertakings on capital structure, industrial strategy and related matters, advice and services relating to mergers and the purchase of undertakings and other services connected to the management of the AIF and the companies and other assets in which it has invested.

### **Additional Investment Services**

Subject to compliance with the relevant MiFID rules without separate MiFID authorization being required, an **external AIFM** may also be authorised to provide the following MiFID services:

- individual management of portfolios of investments, including those owned by pension funds and institutions for occupational retirement, in accordance with the mandates given by investors on a discretionary, client-by client basis;
- Along with the provision of individual portfolio management services outlined above, an AIFM may further be authorised to provide:
  - a) investment advice
  - b) Safe-keeping and administration in relation to shares or units of collective investment undertakings

- c) Reception and transmission of orders in relation to financial instruments.

### **Dual License**

An external AIFM may in addition obtain a license to act as a UCITS management company subject to authorisation under the UCITS IV Directive (2009/65/EC).

### **AIFM LAW IN CYPRUS**

On 5th July 2013 Law 56(I)/2013 (AIFM Law) came into effect transposing the AIFMD into Cyprus legislation. The AIFM Law closely follows the context of the AIFMD and sets out the legal framework that will apply to an AIFM with regard to authorisation, capital requirements and operating conditions, governance and risk management, delegation rules, remuneration, reporting, depositary regime and marketing conditions. The accompanying detailed AIFMD implementing measures and technical rules adopted by the European Commission which substantiate the framework directive take the form of EU Regulations and as such are directly applicable in Cyprus, without the need for any local transposition. Commission Delegated Regulation 231/2013 (Level 2) applies as from 22nd July 2013 and supplements the AIFMD with regard to exemptions, general operating conditions, depositary provisions, leverage, transparency and supervision. The competent authority for regulating and supervising AIFMs under the AIFM Law is the Cyprus Securities and Exchange Commission (CySEC).

### **Application of AIFM Law**

The AIFM Law shall apply in particular to the following activities:

- i. A Cyprus AIFM managing Cyprus AIFs or AIFs of another Member State or third country;
- ii. An EU or third country AIFM managing Cyprus AIFs;
- iii. A Cyprus AIFM marketing units or shares of AIFs they manage in other Member States or third countries;
- iv. An EU or third country AIFM marketing units or shares of AIFs they manage in Cyprus.

**An investment fund manager offering services to AIFs shall be authorised as a Cyprus AIFM if:**

- its head and registered offices are located in Cyprus;
- it is a legal person whose regular business is managing one or more AIFs irrespective of their legal form and whether they are established in the EU or not, open-ended or closed ended, listed or non-listed, etc.; and
- The aggregate of the assets under management (AuM) of all AIFs managed by the investment fund manager exceeds:
  - (i) EUR 100 million (including leverage), or
  - (ii) EUR 500 million (for unleveraged funds but with a lock period of 5 years).

The AIFM can be the external manager of the AIF, or even the AIF itself where its legal form permits it and its governing body chooses not to appoint an external AIFM (i.e., internally Managed AIF).