

## **Mini Alternative Investment Fund Managers**

On 3 July 2020, the Cypriot Parliament passed and brought in force new legislation entitled the Mini Alternative Investment Fund Managers Law (L. 81(I)/2020) (Mini-AIFM Law) creating a regime for the regulation and licensing of sub-threshold alternative investment fund managers based in the jurisdiction (Sub-threshold AIFMs or Mini-AIFMs). Prior to the enactment, Sub-threshold AIFMs were not independently subject to licensing in the Republic of Cyprus

The Mini-AIFM Law operates on a complementary basis to the Alternative Investment Fund Management Law (L. 56(I)/2013), as amended (AIFM Law), which in turn transposes the EU Alternative Investment Fund Managers Directive 2011/61/EU (AIFMD) into national law and regulates Cypriot full-scope alternative investment fund managers (AIFMs).

## **What is a Mini-AIFM or Sub-threshold AIFM?**

Under Mini-AIFM Law, the Mini-AIFMs are expressly referred to as companies which are limited by shares and are appointed by the Alternative Investment Fund (**AIF**) as external managers and are responsible for the management of the AIF. Further, the registered office and the central management of Mini-AIFMs must be located within Cyprus.

Mini-AIFMs must have a minimum initial paid up capital of €50,000. However, in the event that the portfolio of the AIFs managed by the Mini-AIFM exceeds €125 million, then an additional amount of own funds is required, which equals to 0.02 per cent of the amount by which the value of the portfolio exceeds €125 million.

The board of directors of the Mini-AIFM must consist of at least four natural persons, two of which must perform executive duties.

Mini-AIFMs are governed by the Mini-AIFM Law and the Cypriot Companies Law, as amended (Cap. 113).

### **Obligations of Mini-AIFMs**

Mini-AIFMs authorised by CySEC under the Mini-AIFM Law are subject to certain ongoing obligations, as follows:

- To submit correct and accurate information to CySEC
- To act in the best interests of the AIFs or the investors of the AIFs they manage and taking into consideration the integrity of the market
- To ensure that the payment or collection of any remuneration or commission, or the provision or securing of any non-monetary benefit does not lead to a breach of its obligation to act in an honest and fair manner
- To take reasonable steps to avoid conflicts of interests among the AIF under management, the Mini-AIFM itself and other AIFs under the management by the Mini-AIFM
- Risk management – the Mini-AIFM must functionally and hierarchically separate the functions of risk management from the operating units, including from the functions of portfolio management
- Liquidity management – the Mini-AIFM must, for each AIF that it manages, employ an appropriate liquidity management system and adopt procedures which enable them to monitor the liquidity risk of the AIF and to ensure that the liquidity profile of the investments of the AIF complies with its underlying obligations. Further, Mini-AIFMs must ensure that, for each AIF that they manage, the investment strategy, the liquidity profile and the redemption policy are consistent

- Marketing of units of AIFs – the Mini-AIFM of Cyprus is permitted to market units of AIFs it manages to professional and/or adequately informed investors in Cyprus. The Mini-AIFM may market units to professional and/or adequately informed investors in another member state of the EU after it has notified CySEC of such intention
- Internal procedures and arrangements – Mini-AIFMs and CIFs need to take into consideration the nature of the AIF that they manage and adopt appropriate internal procedures and arrangements as prescribed within the Mini-AIFM Law
- Valuation of assets of AIF – the Mini-AIFM must ensure that, for each AIF that they manage, appropriate and consistent procedures are established so that a proper and independent valuation of assets of the AIF can be performed.