

# **The Economy of Cyprus and new drivers of the economy**

*Presented by:*  
*Andreas Yiasemides*  
*Director, Treppides Fund Services*

# *Contents*

➤ **Cyprus Economy**

➤ **Alternative Investment Funds (“AIF”)  
Framework**

TREPPIDES  
FUND SERVICES

## Cyprus Economy

## ***CYPRUS FACTS***

- Member of the European Union since 2004, and member of the Eurozone since January 2008
- Strategic geographical position
- Third largest island in the Mediterranean Sea
- A gateway connecting Europe to, Asia and the MENA region
- Recognized as an international “Centre of excellence” with talented, well-educated, internationally experienced and multilingual workforce
- Offers great value for money professional services
- Maintains a strong position as an attractive investment destination and a robust legal & regulatory framework

## ***CYPRUS GDP***

- Many years of healthy growth
- Economic Crisis of 2012
- Cyprus found itself facing significant economic challenges
- However there is a substantial economic growth in both Q1 and Q2 of 2015
- The forecast for 2015 predicts 0.5%, while 2016 is expected to be around 1.4%.

# ***CYPRUS RECOVERY FACTS***

## **International Ratings:**

- International credit Rating Agencies have been revising and upgrading the economic outlook for Cyprus
- Standard & Poor's: Cyprus economic and budgetary performance exceeded their Agency's expectations.

## **Key Sectors:**

- Contribution of foreign direct investment
- The biggest inflow of foreign investment, is the Banking Sector
- Tourism

## ***NEW GOVERNMENT BONDS ISSUE***

- Cyprus Finance Minister announced in October 2015 the issue of new medium-term government bonds
- Issue of EUR 1 billion
- 10-year government bond with Yield of 4.25% (lowest yield ever for a Cyprus 10-year bond)
- record bids exceeding EUR 2.8 billion were received

# ***CYPRUS TAX SYSTEM***

- Offers one of the most attractive tax systems within the European Union
- Announced brand new tax incentives in regards to corporate and personal income
- Improvement of tax competitiveness and encouragement of companies, as well as, individuals to reside, work and invest in Cyprus
- Tax efficient EU Intellectual Property location
- Wide double tax treaty network of 57 countries that contributes to tax optimization



# ***CURRENT AND FUTURE DEVELOPEMENTS***

- Medical Tourism Sector
- Large Scale Development Projects:
  - ✓ Limassol and Larnaca Marinas
  - ✓ Leisure & Theme Parks
  - ✓ Luxury real estate projects
  - ✓ Tourism Resorts & Golf Courses
- Privatization of semi-governmental Organizations:
  - ✓ Telecommunications Authority (CYTA)
  - ✓ Cyprus Port Authority
  - ✓ Cyprus Electricity Authority
- Renewable Energy
- Hydrocarbons Sector
- Alternative Investment Funds Framework

# TREPPIDES

## FUND SERVICES

### **AIF Framework**

# ***CYPRUS AS BUSINESS DESTINATION FOR FUNDS***

## **Fund specific attributes**

- Experience in Investment Funds and Asset Management sectors (ICIS law, CIFs)
- Efficient, effective and approachable Regulator (The Cyprus Securities and Exchange Commission - CySEC)
- CIFA observer of European Fund and Asset Management Association (EFAMA)
- Cost effective jurisdiction with simple procedures for set-up, management and operation of funds
- European passport for Funds and Fund Managers

## ***CYPRUS FUNDS SECTOR***

- Assets under Management: 3,2 billion Euro (June 2014)
- Number of Funds: Over 100
- UCITS: 3 (two single schemes and one umbrella-type with 14 sub-funds with 46,4 million of assets under management)
- UCITS Management Companies: 2
- AIFMs: 2
- Custodian banks: 7

# ***CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)***

- CIFA is the Association of professionals and organizations which are involved in the Investment Funds Sector in Cyprus.
- Established in February 2013 with the mission to:
  - Help its members capitalize on industry trends
  - Shape regulation
  - Enhance professionalism, integrity and quality
  - Promote the Cyprus Investment Funds Industry
- Close cooperation with the Government, the Regulator and Industry Associations and Professional Bodies
- Steps to become a national member of widely recognized and respected international bodies

# ***CYPRUS INVESTMENT FUNDS ASSOCIATION (CIFA)***

- CIFA enlists King Wood Mallesons (KWM) to promote Cyprus investment funds.
- KWM will conduct a comprehensive review of the Cyprus investment funds framework, including corporate tax arrangements and registration laws, to enhance Cyprus' position as an international jurisdiction for the domiciliation and management of funds.
- The findings of the consultative review are expected to be published later in 2015 whereupon KWM will work with CIFA to promote Cyprus as a gateway to Europe for regional fund managers, particularly in Asia.

# ***TYPES OF FUNDS IN CYPRUS***

## ➤ **ALTERNATIVE INVESTMENT FUNDS (AIFs)**

- ✓ Cyprus Funds which fall under National Law, in replacement of ICIS Funds
- ✓ Alternative Investment Funds Law of 2014 (replacing the International Collective Investment Schemes Law)

## ➤ **UNDERTAKINGS FOR THE COLLECTIVE INVESTMENT OF TRANSFERABLE SECURITIES (UCITS)**

- ✓ Fall under national law which follows the EU directive
- ✓ Open ended Undertakings for Collective Investment UCI Law of 2012 (transposing the UCITS Directive 2009/65/EC)

# ***TYPES OF AIFS***

## **A) AIF according to Part II of AIF Law (AIF)**

### ➤ **Investors:**

- No limit regarding number of investors
- Can be marketed to:
  - i. Well-Informed and/or Professional investors; or
  - ii. Retail investors

## **B) AIF with Limited Number of Investors (AIFLNP)**

### ➤ **Investors:**

- Up to 75 investors allowed including co-owners
- Well-informed and/or Professional investors



# ***INVESTOR CLASIFICACION***

## **(i) Professional Investor**

- A Professional Client, as such term is defined in Annex II of the Markets in Financial Instruments Directive

## **(i) Well-informed Investor**

- One that meets the following two requirements:
  - i. Confirms in writing that he/she is a qualified investor and that he/she is aware of the risks involved with an investment in the relevant AIF; and
  - ii. (1) investment made in AIF is at least EUR 125.000 OR  
(2) expertise, experience and knowledge in evaluating an investment opportunity properly, have been certified by a licensed bank/credit institution, an authorised investment firm or an authorised Management Company

## **(ii) Retail Investor**

- An investor, other than well-informed or professional, i.e. which does not meet the requirements above

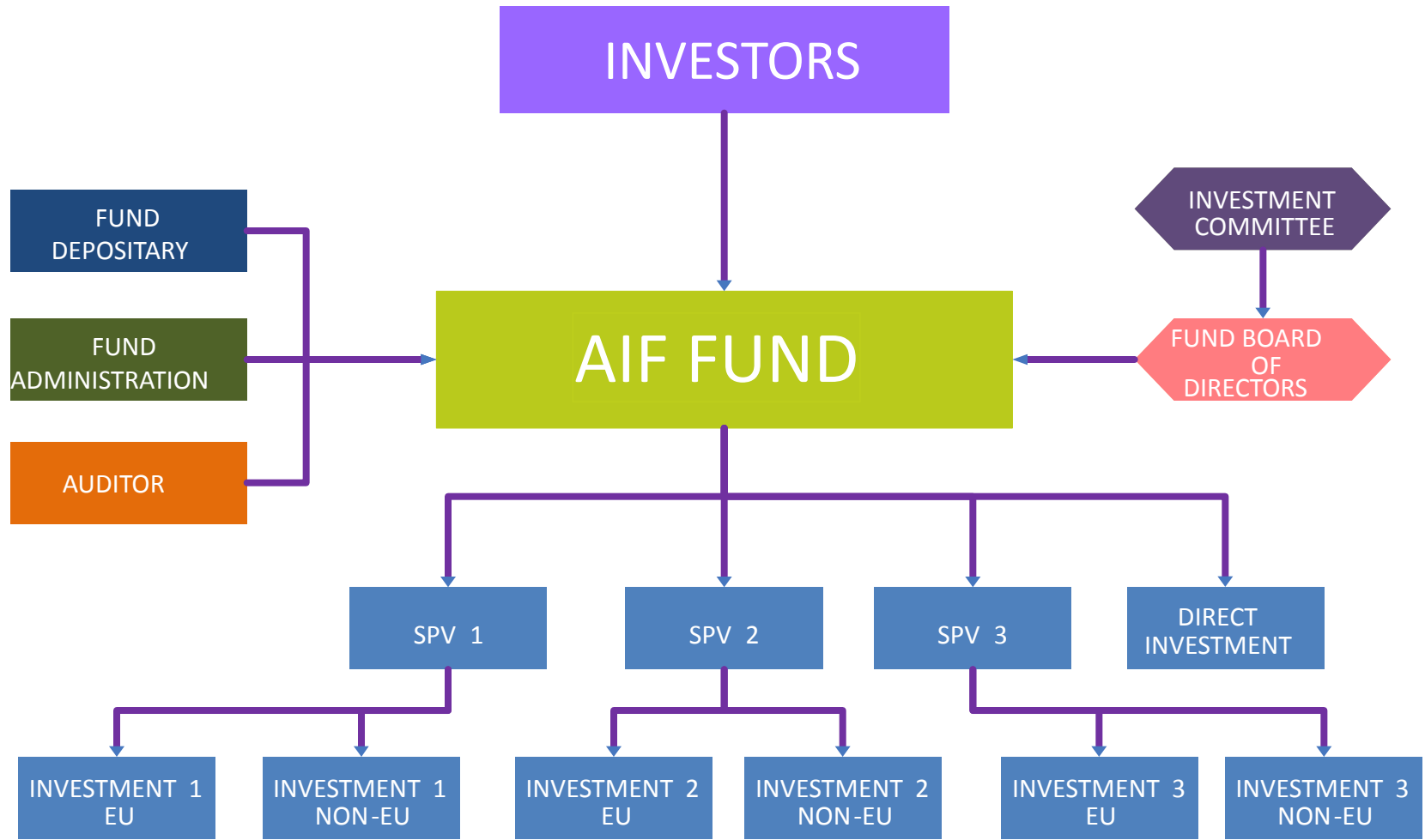
# ***Legal form of AIFS***

An AIF can take the following legal forms:

- Fixed Capital Investment Company ('FCIC')
- Variable Capital Investment Company ('VCIC')
- Limited Partnership ('LP') , and
- Common Fund ('CF')



# The Cyprus AIF



# *The Cyprus AIF*

## Five Key Benefits

- **Flexibility:** Any asset can be included in the investment strategy of the AIF (under certain conditions)
- **Transparency:** Annual audited and half yearly reports to be sent to the CySEC and the investors (contain financial statements, information on borrowing, portfolio information, NAV)
- **Tax Incentives:** Cyprus AIF benefit from significant tax incentives / Establishment for taxation purposes can very difficulty be challenged
- **Regulation:** EU directives / business friendly jurisdiction (no onerous reporting requirements)
- **Low set-up and operational costs:** Easy and cost efficient to set up and maintain Cyprus funds.

# ***The Cyprus AIF***

## **Tax Incentives**

- No subscription tax on the net assets of the Fund
- 12,5% flat corporation tax on annual net profits earned worldwide
- Effective 12,5% tax on interest received
- The following income is exempted from tax:
  - Profits from the sale of shares and other instruments
  - Dividends received
  - Capital gains arising from sale of immovable property located outside Cyprus
  - Capital gains arising from the disposal of shares/units by the holders
- A network of Double Tax treaties in place with more than 50 countries worldwide
- Possibility of exemption from VAT

### **Tax incentives for Fund Managers**

- 50% exemption of income earned for a five year period from the date of first employment in Cyprus, if salary is over EUR 100.000

# ***BENEFITS OF FUND PRESENCE IN CYPRUS***

- **Passporting**
- **Access to the EU Investor Market**
- **More transparency through harmonization and disclosure, hence increased investor protection**
- **Expected to enhance the marketing potential of AIF**
- **“Business Minded” Regulator**
- **Network of professionals can ensure AIF is always in compliance with the Directive and other legal requirements**
- **Lower cost than other EU jurisdictions**
- **Strong legal framework in Cyprus**

# Any Questions?

## Thank you

*Contact Details:*

*Andreas Yiasemides*

*Director, Treppides Fund Services*

*T:+357 22 678944*

*F:+357 22 681887*

*Email: [ayiasemides@treppides.com](mailto:ayiasemides@treppides.com)*