

INVESTMENT FIRMS

Since its entry in the EU in 2014, Cyprus has managed to attract a plethora of Cyprus investment firms (CIFs) which have set up and operate efficiently from the island.

Indicatively, the Cyprus Securities Exchange Commission (CySEC) licensed nearly 218 CIFs to date.

A large number of them have “passporting” their services across other EU Member States and a significant number of non-Cyprus based EU CIFs have applied to offer services in Cyprus under the “passporting regime”.

This signifies a continuous interest in setting up and operating CIFs from Cyprus as it offers an attractive tax regime, efficient and flexible regulating authority, pool of knowledgeable professionals and competitive costs. The adoption in Cyprus of the EU Directives (including recent AIFM and AIF Directives) allows CIFs access to the EU financial markets through “European passporting”.

There are many reasons why accessing the European securities markets is becoming increasingly attractive. European exchanges in recent years compare well with those in the United States in both IPO volume and value terms. Other than providing liquidity and access to a diverse pool of investors, European listings provide companies with the appropriate status for further European and international expansion.

Legal framework

The Cyprus Investment Services and Activities and Regulated Markets of 2007 to 2016 (Law 144(I)/2007), (the “Law”) as amended, provides the legal framework for the provision of investment services as well as for the registration, regulation of operations and supervision of CIFs. The Law also incorporates the provisions of MiFID (Market in Financial Instruments Directive 2004/39/EC), the Directive that harmonizes regulation of investment services across EU Member States.

Under the provision of the Law, the following entities may provide investment services on a professional basis:

- CIF: investment firms in Cyprus, excluding credit institutions, provided that the CIF has obtained the appropriate authorization from the CySEC
- credit institutions established in Cyprus: provided that the credit institutions have received an authorization from the Central Bank of Cyprus (CBC) in accordance with the provisions of the Banking Acts 1997 to 2000 for the

provision of investment and ancillary services

- investment firms with their registered offices outside Cyprus: whether rendering investment or ancillary services through a branch or operating on a cross border basis without a branch, provided they have been granted a license from the regulators of an EU Member State

Investment Services

Investment services include any of the following services:

- 1 Reception and transmission of orders in relation to one or more financial instruments
- 2 Execution of orders on behalf of clients
- 3 Dealing in financial instruments for own account
- 4 Managing of individual portfolios under discretionary management
- 5 Investment advice
- 6 Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
- 7 Placing of financial instruments without a firm commitment basis
- 8 Operation of multilateral trading facility (MTF)

Ancillary Services

- 1 Safekeeping and administration of financial instruments for the account of clients
- 2 Granting credits or loans to an investor to carry out a transaction in one or more financial instruments
- 3 Advice to undertakings on capital structure, industrial strategy and related matters
- 4 Foreign exchange services where these are connected to the provision of investment services
- 5 Investment research and financial analysis
- 6 Services related to underwriting
- 7 Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

A CIF authorization cannot be granted for the provision of ancillary services alone.



Practical criteria and requirements

In general, in order to grant a CIF authorisation, CySEC must be satisfied that the applicant company has and maintains throughout its operation:

- the minimum capital required under the Law
- shareholders possessing a qualifying holding or that are otherwise capable of exercising influence over the management and business strategy, must be fit to ensure the sound and prudent running of the company
- two experienced and reliable persons to manage its business, and that the said persons are capable of fulfilling their duties. One of the two executives should be employed by the company on a full time basis and reside in Cyprus. They should both be accessible and available to appear before the Commission within reasonable notice
- adequate technical and financial resources
- appropriate control and safeguarding arrangements for electronic data processing and adequate internal control mechanisms
- reliability, experience, professional skill and professional diligence of the persons who direct its business
- adequate structure and mechanism to guarantee the protection of investors' assets and eliminate any conflict of interest that may arise between the company or the staff and clients' interests
- full fledged office with established telecommunications and PC networks, staffed with employees on a full or part time basis as described in the applicant's organization chart
- heads of the core services departments must possess relevant professional competence certificates from the Ministry of Finance.

A CIF has a 12 month period subsequent to the assessment of an application to comply with the conditions of granting an authorization and obtain its license.

