

PRIVATE FUNDS

The EU Directives on financial markets - AIFMD and MiFID - have encouraged fund managers, custodians, administrators and promoters who want to benefit from cross border EU opportunities, raise funds intra EU and maximize returns for investors at low cost and enhanced tax efficiency to transfer their funds and operations to Cyprus. It is a credible alternative to onshore fund jurisdictions such as Luxemburg, Ireland, Malta and the UK and offshore jurisdictions such as the Cayman or BVI.

The relevant EU regulatory framework derives from the UCITS IV Directive and the AIFMD Directive. The Prospectus Directive and the Markets in Financial Instruments Directive (MiFID) have both been transposed into Cyprus national legislation and allow issuers with a single EU passport for prospectuses and managers to promote their services in all EU member states.

Alternative Investment Funds Law of 2014 ("AIF Law")

Main advantages of Cyprus private funds:

- competitive setting up and ongoing costs structures and funds in the EU
- favourable tax regime in the EU, especially for non-Cyprus residents
- combination of reasonable regulations, flexibility and tax incentives
- EU Member State compliant with EU laws
- developed infrastructure, highly qualified professionals and minimum formalities
- wide and efficient network of legal, accounting and banking services
- hedge fund and hedge fund managers location
- AIFS, ICIS, UCITS can be listed on Cyprus stock exchange (CSE) and other recognized EU stock exchanges
- redomiciliation in and out is possible

The AIF Law enacted in July 2014, updates the funds regime in Cyprus and aligns it with the latest EU directives on alternative funds, funds management and investor protection. The AIF Law replaces the International Collective Investment Schemes Law (the "ICIS Law").

The AIF Law provides for two classes of AIF, namely AIFs available to an unlimited number of investors ("unlimited") which may be marketed to all investors, including retail investors and those available to 75 investors or fewer ("limited") marketed only to well informed or professional investors.

AIFs may be structured as variable or fixed capital companies or as limited partnerships. In addition, unlimited AIFs may be structured as a mutual fund.

The key new features of the Cyprus' fund regime are:

- the AIF Law introduces a single regulator
- the law introduces new structuring options which were the main limitation of the previous legislation, including multiple investment compartments
- provides the ability to set up an AIF taking the contractual form of a Common Fund
- allows the cross investment between sub-funds
- provides the ability to set up an AIF marketed to professional investors and/or well informed investors
- allows the public offering of shares of AIFs

Opting for registration an AIF as an AIFM (or self-managed AIF) under the AIFMD allows investment firms to passport their services across EU.

Why Set Up Your AIF in Cyprus

- EU Member State and compliant with EU laws and regulations
- mature business centre with developed infrastructure and highly qualified professionals
- minimum formalities
- wide and efficient network of legal, accounting and banking services
- competitive setting up and ongoing costs structures and funds in the EU
- favourable tax regime in the EU, especially for non-residents
- combination of effective regulations, flexibility and incentives
- hedge fund and hedge fund managers location
- AIFS, UCITS can be listed on CSE and other recognized EU stock exchanges
- redomiciliation in and out is possible

Cyprus based AIFMs and AIFs will benefit from low tax burdens levied on Cyprus based corporations. Further, non-Cypriot investors in Cyprus AIFs will, at the time of a redemption or distribution of a Cyprus AIF, benefit from an extensive double tax treaty network.