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Cyprus Alternative Investment Funds: Your Gateway to Europe and Beyond

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The Cypriot AIF Regime

With the enactment of the Alternative Investment Funds Law 124(I)/2018 (the “AIF Law”) in July 2018, the Republic of Cyprus (“Cyprus”) has modernised and significantly enhanced the regime governing alternative investment funds, or “non-UCITS”, which can be registered and domiciled in Cyprus.

The AIF Law, which repealed and replaced the AIF Law of 2014, has amongst others, introduced the possibility to create Registered AIFs in Cyprus and in addition fine-tuned the other types of AIFs (i.e. AIFs with Unlimited and AIFs with Limited Number of Persons), just to name a few.

With the enactment of the AIF Law, Cyprus now boasts the full spectrum of legislative provisions covering all fund products, both UCITS and non-UCITS, and provides fund promoters and managers various structuring opportunities.

In brief, the AIF Law allows for the creation of AIFs with Unlimited Number of Persons (“AIF-UNP”), AIFs with Limited Number of Persons (“AIF-LNP”) and Registered AIFs (“RAIF”).

The main benefits of the AIF Law can be summarised as follows:

- Various legal forms available, including tax transparent entities, to meet investor expectations.
- Ability to create AIFs with unlimited investment compartments (i.e. umbrella funds), each with separate investment strategies and asset pools.
- The units of AIFs can be listed on various stock exchanges.
- There are various options available in relation to the appointment of an Investment Manager and Depositary, providing maximum flexibility.
- Investor units are freely transferable.
- Registered AIFs do not require licensing but a mere registration on the regulator’s Register which is achieved within 30 days from submission.

Why Domicile your AIF in Cyprus?

During the past few years, the funds industry in Cyprus has experienced significant growth (both in terms of value of assets and in terms of number of funds and fund managers), resulting in the island establishing itself as one of the major EU fund jurisdictions.

Its strategic geographic position, stable political system, attractive tax system, modernised AIF Law, combined with EU and Eurozone memberships, have served to attract global funds and fund managers alike.

The recent regulatory changes in the Cyprus funds

industry have resulted in the full alignment of local legislation with the relevant EU Directives, including the Alternative Investment Funds Manager Directive.

Overall, we are confident that Cyprus is the most flexible and cost-efficient fund jurisdiction in the EU, being a member of the European Securities and Markets Authority (ESMA). Additionally Cyprus boasts a comprehensive funds and related services workforce comprising of some 4,000 qualified lawyers and 5,000 qualified accountants, establishing Cyprus as a prominent player within the EU funds industry.

AIF Options and features

Type of AIF	AIF-UNP	AIF-LNP	RAIF
Eligible investors	<ul style="list-style-type: none"> Retail Professional ^(?) & Well-Informed ^(?) 	<ul style="list-style-type: none"> Professional ^(?) & Well-Informed ^(?) Maximum up to 50 investors 	<ul style="list-style-type: none"> Professional ^(?) & Well-Informed ^(?)
Legal form	<ul style="list-style-type: none"> Mutual Fund Fixed or Variable Capital Investment Company ("FCIC" or "VCIC") Limited Partnership, with or without legal personality ("LP") 	<ul style="list-style-type: none"> Fixed or Variable Capital Investment Company ("FCIC" or "VCIC") Limited Partnership, with or without legal personality ("LP") 	<ul style="list-style-type: none"> Mutual Fund Fixed or Variable Capital Investment Company ("FCIC" or "VCIC") Limited Partnership, with or without legal personality ("LP")
Investment restriction and diversification rules	<ul style="list-style-type: none"> Applicable if marketed to retail investors. Limited rules may apply in all other cases. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Limited rules may apply.
Asset size limits	<ul style="list-style-type: none"> No limits applied. If over AIFMD limits ⁽¹⁾, management entity (or Board of Directors if self-managed) must be authorised by AIFM Law. 	<ul style="list-style-type: none"> Cannot exceed AIFMD limits ⁽¹⁾. 	<ul style="list-style-type: none"> No limits applied. If over AIFMD limits ⁽¹⁾, management entity must be authorised by AIFM Law.
Management	<ul style="list-style-type: none"> Self-managed if FCIC/VCIC or LP with legal personality. AIFM, UCITS Management Company, Investment Firm or any other entity authorised to manage AIFs. 	<ul style="list-style-type: none"> Self-managed if FCIC/VCIC or LP with legal personality. UCITS Management Company, Investment Firm, any other entity authorised to manage AIFs or an entity with the sole purpose of managing the specific AIF-LNP. 	<ul style="list-style-type: none"> AIFM Subject to conditions: UCITS Management Company, Investment Firm or any other entity authorised to manage AIFs.
Minimum Capital	<ul style="list-style-type: none"> EUR 125,000 if self-managed. EUR 300,000 if self-managed and over AIFMD limits ⁽¹⁾ None if externally managed. 	<ul style="list-style-type: none"> EUR 50,000 if self-managed. None if externally managed. 	<ul style="list-style-type: none"> None.
Required capital raise	<ul style="list-style-type: none"> EUR 500,000 within 12 months. 	<ul style="list-style-type: none"> EUR 250,000 within 12 months. 	<ul style="list-style-type: none"> EUR 500,000 within 12 months.
Depository	<ul style="list-style-type: none"> Bank, investment firm, or other entity subject to prudential supervision. Must be based in Cyprus if AIFM is appointed or if over AIFMD limits ⁽¹⁾. No exemptions available. 	<ul style="list-style-type: none"> Bank, investment firm, or other entity subject to prudential supervision. Exempt if: <ol style="list-style-type: none"> Up to 5 investors, or Assets are less than EUR 5mln, or At least 90% of assets are not subject to custody, up to 25 investors and each invested at least EUR 500,000 each. 	<ul style="list-style-type: none"> Bank, investment firm, or other entity subject to prudential supervision. Must be based in Cyprus if AIFM is appointed or if over AIFMD limits ⁽¹⁾. No exemptions available.

⁽¹⁾ "AIFMD limit" refers to total assets under management up to EUR 100mln (including assets acquired via use of leverage) or EUR 500mln without leverage and no redemption rights for 5 years.

⁽²⁾ A "professional investor" as defined in Second Appendix of the Investment Services, Investment Activities and Regulated Markets Law of Cyprus, is an investor who possesses the experience, knowledge and expertise to make his or her own investment decisions and properly assess the risks that he or she incurs.

⁽³⁾ A "well-informed investor" as defined within the AIF Law, is an investor who does not qualify as a professional investor and:

- ✓ Confirms in writing that he/she has sufficient knowledge and experience in relation to financial and business matters in order to properly assess the risks involved, and
- ✓ Invests a minimum of €125,000 in the AIF or is successfully assessed as a well-informed investor by a bank, an investment firm, an AIFM or by a UCITS management company in Cyprus.

Taxation of AIFs

Some of the key taxation benefits which an AIF and its stakeholders can enjoy are the following:

- Exemption from tax on profits from the disposal of securities (it should be noted the Cyprus Tax Authorities have provided a wide definition of what constitutes eligible securities/titles).
- Exemption from tax on dividend income (subject to certain conditions).
- No withholding taxes on repatriation of dividends, interest and royalties to non-residents.
- 12.5% corporate tax rate, being among the lowest in the EU.
- Available of the use of Notional Interest Deduction (being an annual tax expense calculated as a percentage of equity).
- An extensive and continuously growing network of double tax treaties.
- No stamp duty on the issue of units in AIFs.
- Investors in AIFs which are tax transparent are not deemed to have a permanent establishment in Cyprus.

Savva & Associates: Cyprus' premier funds services provider

Since 2010, Savva & Associates has been the fastest growing professional services provider in Cyprus. We are acknowledged as the premier service provider in our field as a result of having one of the strongest technical teams on the island, adopting a service-minded approach unseen among our competitors, and being the most cost-efficient Tier-1 provider in Cyprus.

We are among the few providers experienced in the licensing and administration of AIFs, and the most cost efficient in delivering high level alternative investment fund services in Cyprus.

Our dedicated Investment Funds Division has extensive knowledge of financial services, coupled with local legal and tax expertise, ensuring efficiency in the establishment, licencing and ongoing management of AIFs.

The team comprises solely of qualified accountants, lawyers and fund experts who can assist with:

➤ Fund setup and licensing services

> Selecting the AIF that matches your needs

We can assist you with selection the appropriate form of AIF.

> Preparing your AIF Application for Regulatory Approval

We have significant expertise in preparing and submitting the full application package, offering advice on the operational structure and the relevant documents that must be included in the application package.

> Following up and monitoring your submission until Regulator approval

We will monitor and follow up with the Regulator, ensuring any queries by CySec are promptly handled.

➤ Tax Advisory Services

We are well positioned to offer tax advisory services ensuring that the AIF is structured in a tax efficient manner and is fully compliant with all tax compliance requirements both in Cyprus and internationally.

➤ Fund Formation Services

We offer you support in the incorporation of the entity to be licenced as an AIF, following approval of your application.

➤ Selection Services

Through our extensive local and international network, we can assist with the selection of the key parties of the Fund, such as: Investment Manager, Depositary, Auditor and any other qualified personnel that may be required.

➤ Fund Administration Services

We can administer a wide range of alternative investment funds through our dedicated fund administration division.

Our fund administration services include:

- Accounting, management and investor reporting;
- Calculation of Net Asset Value. Furthermore, provision of the Net Asset Value to data vendors to ensure that current and potential investors have timely access to these valuations;
- Handling all filings required by AIF Law and CySec;
- Handling all statutory requirements, including tax and VAT, if applicable;
- Maintenance of investor registries (including in electronic form) and other statutory and secretarial services.
- Arranging for the issue, transfer, allotment, conversion, redemption and/or purchase of shares, in accordance with the fund's constitutional documents, following the instructions of the fund, and updating the register accordingly.
- Receiving, recording and dealing with letters of administration, powers of attorney, dividend mandates, vesting orders, notices of change of names and other documents affecting titles to shares or any dividends payable and consequently updating the register.
- Following the custodian's orders to pay or deposit all monies and securities received.
- Dispatching all such circulars, notices of meetings, reports and financial statements to all persons who are entitled to receive them.
- Acting as a proxy agent in connection with the holding of meetings of shareholders, receive and tabulate votes cast by proxy and communicate to the fund the results of the tabulation.

We are recognised as a leading Cypriot funds firm, providing a complete and independent service to fund managers and clients. We work with many of the world's leading independent money managers and family offices as well as funds of funds, banks and institutional funds.

For further information on establishing an AIF in Cyprus, please contact us at info@savvacypprus.com



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