



Alternative Investment Fund Managers

Cyprus has strengthened and modernised its legislation and adopted best practises governing the operations of funds and fund managers. It now offers a compelling set of good arguments for being a jurisdiction of choice for establishing or re-domiciling funds and fund management companies.

Cyprus is an EU member state that combines various tax efficient measures of a modern financial centre with the necessary infrastructure for the fund industry. It has an independent judiciary, highly qualified workforce, a business friendly environment and a legal system based on common law.

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Legal Framework

Cyprus was the second country in Europe to transpose the Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD") into national law through the ratification of the Alternative Investment Fund Managers Law 56 (I)/2013 ("AIFM Law"), which governs the establishment and supervision of Alternative Investment Fund Managers ("AIFMs") in Cyprus.

The choice of a Cyprus AIFM has a number of significant benefits:

Benefits

Quality of service

- Highly qualified professionals working in a multicultural environment, considered to be amongst the most educated in the EU (local expertise of fund administrators, accounting firms and law offices experienced in the financial services industry).

Transparency and regulation

- Best practice policies for investor protection and Anti- Money Laundering.
- Efficient and business friendly competent authorities.

"Passporting" rights

- Management of AIFs established in another EU member State either directly or by establishing a branch in that EU Member State; and
- Marketing of units or shares to professional investors in any EU Member State; through a simple notification to CySEC and without receiving prior authorisation from the competent authorities of such EU Member State.

Cost efficient jurisdiction

- Low set-up costs with simplified procedures in relation to the set-up, relocation and ongoing operation of both funds and fund management companies.

Quality of service

- Strategic geographical location between Middle East, Asia and Africa, with access to emerging markets with which strong business ties have already been established.

Favorable tax regime

- Low corporate tax rate of 12,5% for fund management companies, possibility to be reduced up to 2,5% due to Notional Interest Deduction.
- Marketing of units or shares to professional investors in any EU Member State; through a simple notification to CySEC and without receiving prior authorisation from the competent authorities of such EU Member State.
- Transparent (EU and OECD approved) tax regime with an extensive network of Double Tax Treaties.
- Tax incentives for senior officers of fund management companies relocating in Cyprus.

Key Features of an AIFM

01 Management strategies

Management of any type of fund, such as Hedge Funds, Private Equity, Venture Capital, Real Estate, Shipping Fund, Loan Originating Funds etc, subject to the relevant authorisation granted.

02 Professional liability risk

Requirement to cover potential liability risks arising from professional negligence through:

- Additional own funds equal to 0.01% of the assets under management; or
- A professional indemnity insurance against civil liability.

03 Legal form

Incorporated as a limited liability company with an office located in Cyprus.

04 Own funds requirement

Minimum ongoing owned funds requirement amounting to at least the greater of the following two sums:

- 0.02% of the amount by which the value of the portfolios of the AIFs managed by the AIFM exceeds EUR 250 million (the initial capital and the additional amount must not, however, exceed EUR 10 million); or
- One quarter of the preceding year's fixed overheads.

05 Depository requirement

Always appoints a single Depositary for each AIF it manages, which must be located in the same jurisdiction with the AIF for EU AIFs, or in the same jurisdiction with the AIFM for Non-EU AIFs.

06 Initial capital

Minimum initial capital requirement of EUR 125.000.

07 Dual license

The license of an AIFM can be with that of a UCITS management company for the management of UCITS compliant funds if deemed necessary.

08 Additional services

Authorization for the provision of additional investment services regulated under the Markets in Financial Instruments Directive II (MiFID II):

- Management of portfolios of investments on a discretionary basis including those owned by pension funds and institutions for occupational retirement, in accordance with mandates given by investors on a discretionary, client-by client basis; and

Upon authorization for the provision of management of portfolios:

- Investment advice;
- Safe-keeping and administration in relation to shares or units of collective investment undertakings;
- Reception and transmission of orders in relation to financial instruments.

09 Other features

- Use of Leverage: No restrictions on the employment of leverage by managed AIFs.
- No limits on assets under management: No maximum limit on the assets of an AIF only if investment management is performed by an AIFM (or self-managed AIF having obtained authorization under the AIFM Law).

PwC Services

Our dedicated Fund Services Department, comprised of qualified accountants, financial services qualified lawyers, financiers, risk analysts, mathematicians and seasoned corporate consultants, is dedicated to servicing the most complex fund structures, providing high-quality solutions. Our experts have a wide and in-depth knowledge of the local laws and international market practices and, coupled with their international financial services experience, can assist you with any challenges you face in setting up and maintaining an AIFM.

Being the largest professional services firm in Cyprus, we are able to provide the full spectrum of services required for the setup and maintenance of an AIFM to meet your increasingly complex needs.

Licensing

Fund Administration

Regulatory & AML
Compliance

Risk Advisory

Internal Audit

Legal Support

Assurance

Corporate &
Secretarial

ESG Advisory

CRS and FATCA
Compliance

Tax Advisory

Redomiciliation

Contact us:

Andreas J Yiasemides
Partner
Clients & Markets Leader
In charge of Fund Services
andreas.yiasemides@pwc.com
Tel: +357 22 555 035

Constantinos A. Nicolaides
Senior Manager
Fund Services
constantinos.a.nicolaides@pwc.com
Tel: +357 22 555 516

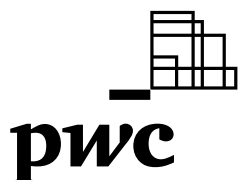
Demetris Themistocleous
Senior Manager
Fund Services
demetris.themistocleous@pwc.com
Tel: +357 22 555 079

Christiana Kypri
Manager
Fund Services
christiana.kypri@pwc.com
Tel: +357 22 553 605



PricewaterhouseCoopers Ltd

PwC Central, 43 Demostheni Severi
Avenue, CY-1080 Nicosia
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357-22 555 000



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