

Alternative Investment Funds in Cyprus

Making the right choice

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Why Cyprus?

The modernisation of the legislative and regulatory framework helped Cyprus to emerge as a jurisdiction of choice for Fund Managers and Alternative Investment Funds (“AIFs”).

The Cypriot regulatory authorities in an effort to enhance and grow the Funds Industry have worked diligently to offer a comprehensive tool box and new structuring options competitive to those of other established fund jurisdictions.

The transposition of the Undertakings for Collective Investment in Transferable Securities (UCITS) IV Directive in 2012 as well as the Alternative Investment Fund Managers Directive (AIFMD) in 2013 offer outstanding possibilities for cross-border and global fund distribution benefiting from an efficient and reliable Fund infrastructure.

What is more, the continuous efforts made towards the alignment of national legislation with international trends, eventually resulting to the revision of the governing legislation and enactment of the Alternative Investment Funds Law in 2018 have created an attractive and competitive environment.

Why an Alternative Investment Fund in Cyprus?

The choice of a Cyprus AIF has a number of significant advantages:

- Modern regulatory framework in line with relevant EU Directives
- No restrictions regarding the type of investments
- The application process is fairly simple and not time consuming
- An AIF can be self-managed by its Board of Directors, subject to the approval of the Regulator
- AIFs can be set-up as umbrella funds with multiple investment compartments, allowing the management of different asset pools with separate investment policies
- AIFs without limitations as to the number of investors can be listed on Cyprus Stock Exchange and other recognized EU stock exchanges and if marketed to retail investors can be traded
- Significant tax incentives including among others, no withholding tax on dividend distributions for foreign Investors
- The services provided by the Investment Manager and Fund Administrator are not subject to VAT
- The AIF, having the form of an investment company, can take advantage of the wide double tax treaty network of Cyprus
- Full transparency through frequent reports to the Regulator and the investors
- Supervised by a competent, accessible and business friendly Regulator
- No onerous ongoing reporting requirements to the Regulator
- Low set up and maintenance costs



AIFs at a glance

AIFs	AIFs with Limited Number of Persons	Registered AIFs
Legal forms	<ul style="list-style-type: none"> • Common fund (CF) • Variable Capital Investment Company (VCIC) • Fixed Capital Investment Company (FCIC) • Limited Partnership with or without legal personality (LP) 	<ul style="list-style-type: none"> • Variable Capital Investment Company (VCIC) • Fixed Capital Investment Company (FCIC) • Limited Partnership with or without legal personality (LP)
Eligible Investors	<ul style="list-style-type: none"> • Professional and/or Well - Informed Investors • Retail Investors 	<ul style="list-style-type: none"> • Professional and/or Well - Informed Investors
Number of Investors	<ul style="list-style-type: none"> • Unlimited 	<ul style="list-style-type: none"> • Up to 50
Minimum Capital Requirement	<ul style="list-style-type: none"> • If self-managed: EUR 125.000 or EUR 300.000 for self-managed AIF/AIFM • If externally managed: N/A 	<ul style="list-style-type: none"> • If self-managed: EUR 50.000 • If externally managed: N/A
Minimum AUM within 12 months	<ul style="list-style-type: none"> • EUR 500.000 	<ul style="list-style-type: none"> • EUR 250.000
Fund Management	<ul style="list-style-type: none"> • Can be self-managed (in the case of a company or a limited partnership with separate legal personality) or appoint a fund manager 	<ul style="list-style-type: none"> • Always appoints a fund manager
Assets Under Management	<ul style="list-style-type: none"> • No restrictions if AIFM appointed • Up to 100 ml including leverage or 500 ml with no use of leverage and no redemption rights for 5 years if AIFM is not appointed 	<ul style="list-style-type: none"> • Up to 100 ml including leverage or 500 ml with no use of leverage and no redemption rights for 5 years
Depositary	<ul style="list-style-type: none"> • Mandatory appointment of a local Depositary if managed by an AIFM • Cyprus, EU, or in a third country based if AIFM is not appointed 	<ul style="list-style-type: none"> • No restrictions if AIFM appointed • Up to 100 ml including leverage or 500 ml with no use of leverage and no redemption rights for 5 years if AIFM is not appointed
	<ul style="list-style-type: none"> • Cyprus, EU or in a third country based. • May be waived if one of the following criteria is met: <ul style="list-style-type: none"> - total assets of the Fund < 5 ml - up to 5 Investors - no more than 10% of total assets are subject to custody and; investors up to 25 and; minimum investment per investor is at least equal to EUR 500.000 	<ul style="list-style-type: none"> • Mandatory appointment of a local Depositary if managed by an AIFM • Cyprus, EU or in a third country based if AIFM is not appointed

Our services

Licensing application to the Regulator

Choosing the right form of your AIF - We examine the alternative forms that the fund can take so that it meets your requirements.

Preparation of the application package - We can prepare the full application package that needs to be submitted to the Regulator. During this process, our experienced team will advise you on how better to structure your operations and will assist with the preparation of all the necessary documents to be included in the application package.

Follow-up of the processing of the application - We can assist you in replying to any queries or providing additional clarifications as requested by the Cyprus Securities and Exchange Commission during their examination of the application.



Fund administration services

Fund Accounting – We maintain the general ledger in accordance with IFRS, calculate income and expenses and record any receipts, payment confirmations and other supporting documents.

Net Asset Value – We perform calculations of the NAV in accordance with internal rules of the Fund, reconcile asset and cash positions, calculate management and performance fee and report to the Investment Manager and Board of Directors.

Middle Office services – We interact with the Prime Broker, Depository and the Regulator if necessary.

Transfer Agency services – We perform KYC/AML checks on Investors, maintain the Register and process any requests for transfers, subscriptions and redemptions.

Regulatory Reporting and Compliance – We assist in the preparation of regulatory reports and perform ongoing monitoring, ensuring the fund is administered within the terms of the Prospectus and Cyprus Securities and Exchange Commission requirements.

Assurance services

Annual audit and interim reviews – We provide on-going services with respect to annual statutory audit of the IFRS financial statements as well as interim review, should you wish to prepare interim financial statements on a quarterly and half yearly basis.



Corporate services

Secretarial – We undertake the full range of secretarial work through our appointment as the Secretary, including:

- Preparation of notices, agendas and minutes of directors' and shareholders' meetings and/or directors' and shareholders' written resolutions.
- Filing of the annual return with the Cyprus Registrar of Companies, as well as preparation and filing of any other statutory returns.
- Arrangements for legalization/certification of documents where required.

Registered Office – We provide registered office facility including telephone, facsimile and post office box facilities.

Legal support

Incorporation of the entity - We provide assistance and support with the incorporation of the entity to be licensed as an AIF, including the drafting of the constitutional documents.

Ongoing legal support - We provide legal support both during the fund's application process and operation (e.g. preparation of agreements).

CRS and FATCA compliance services

Initial Analysis – We analyze the regulatory requirements under CRS/FATCA and their impact and assess the action that needs to be taken to comply.

Classifications of Investors – We assist with an initial analysis in order to determine the classification of each Investor and identify the relevant implications arising from such classification.

Reporting – We assist with the completion of self-certification forms, registration with local and foreign authorities and voluntary disclosure of accounts to the Tax Department.



Direct and Indirect tax services

Tax effectiveness - We provide a comprehensive set of Direct and Indirect Tax compliance and advisory services. This ensures that the fund is set up in a tax efficient manner and is compliant with all tax requirements in Cyprus and abroad. Our services cover both corporate and individual taxes.

Internal audit services

Assessments – We carry out a high-level risk assessment and agree an internal audit plan that could be followed in the execution of the internal audit work.

Internal Audit Plan – We prepare an annual internal audit plan to be approved by the Fund's Board of Directors.

Preparation of Audit Programs and Controls – Prepare internal audit programs for guiding the execution of the internal audit work.

Implementation of Audit Programs and identification of weaknesses – Implement the internal audit programs and identify weaknesses in the internal controls.

Our team

PwC has a multi-disciplinary team of specialists who can assist you in all aspects of setting up an AIF and/or a Fund Manager, the licensing process and the ongoing administration and compliance of the Fund. We also have teams that are specialising in the provision of assurance and tax services. The Funds landscape is changing with more regulatory pressure, calls for transparency, erratic markets and increased competition. Using our specialist Fund Services Department and our extensive global network, we can tailor our approach to address your needs and provide market insights and experience.

Our dedicated Fund Services Department, comprised of qualified accountants, CySEC certified professionals, qualified lawyers and active members of the Cyprus Investment Funds Association, is dedicated to servicing the most complex fund structures, providing immediate solutions. Our experts have a wide and in-depth knowledge of the local Laws and requirements and, coupled with their international Financial Services experience, can assist you with any challenges you face in setting up and maintaining an AIF.

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