

“CY LEBANON BUSINESS FORUM”

Presented by:

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Agenda

- 1. Legal Framework of AIFs**
- 2. Types of AIFs and Upcoming Changes**
- 3. The Structure**
- 4. Key Benefits of AIFs**
- 5. Why Cyprus?**



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A Complete Framework for Funds

▪Modernization of the legal framework:

- Enactment of the Alternative Investment Funds Law in July 2014 (AIF Law).

▪Modernized provisions of the AIF Law:

- Introduction of Umbrella Funds with segregated Investment Compartments (Sub-Funds).
 - Establishment of the AIF with Limited Number of Persons, a slightly regulated structure with no initial capital requirements.
- These structuring elements combined with:
- listing and distribution possibilities (privately or to the general public) and
 - traditional relationships with strong emerging markets
- create a regional hub with a strong **focus in maximizing value** for all participants and **protection of the investors**.
- **The legislators have taken competitive and attractive elements from other established fund jurisdictions to create a modern framework with extensive options in terms of structuring flexibility and investor reach to name a few.**



Types of AIFs and Upcoming Changes

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Types of funds:

Alternative Investment Fund (AIF)

Alternative Investment Fund with Limited Number of Persons (AIFLNP)

Alternative Investment Fund (RAIF) - Upcoming change

1.AIF

	AIF
Legal forms	Common fund (CF) Variable Capital Investment Company (VCIC) Fixed Capital Investment Company (FCIC) Limited Partnership (LP)
Eligible Investors	Professional and/or Well - Informed Investors or Retail Investors
Number of Investors	Unlimited
Umbrella Structure with Segregated Compartments	Yes
Eligible Investments	All asset classes
Minimum Capital Requirement	EUR 125.000 or EUR 300.000 for self-managed AIF/AIFM The requirements apply to each Investment Compartment, when the AIF is established as an Umbrella Fund
Depository	Mandatory appointment of local Depository only if managed by an AIFM, otherwise EU member state or third country

2. AIFLNP

	AIF with Limited Number of Persons
Legal forms	Variable Capital Investment Company (VCIC) Fixed Capital Investment Company (FCIC) Limited Partnership (LP)
Eligible Investors	Professional and/or Well - Informed Investors
Number of Investors	Up to 75
Umbrella Structure with Segregated Compartments	Yes However, the limitation on the number of investors is applicable to the whole scheme.
Minimum Capital Requirement	Not Subject to Minimum Capital Requirement
Eligible Investments	All asset classes
Depository	Can appoint a depository from an EU member state or third country. Exceptions may apply in the following cases: <ul style="list-style-type: none"> • Total Assets < €5 Million • Investors < 5 • Assets not subject to custody

Eligible Manager for AIFs and AIFLNP

- *UCITS Management Company or*
- *EU Investment Firm or*
- *Self managed (if Fixed or Variable Capital Investment Company) or*
- *Special Purpose Company (for AIFLNP only)*

and one of the following conditions is valid:

- ☒ *AUM < €100 million, applies to directly or indirectly managed assets or*
- ☒ *AUM < €500 million if no leverage and no redemption within 5 years*

Alternative Investment Fund Manager (AIFM) required in all other cases and the fund should be licensed only as AIF

3. Upcoming Changes – Registered AIF (RAIF)

CySEC aims to introduce a new category of Alternative Investment Funds, the Registered AIFs ('RAIFs') which will be registered in a central register but, they will not fall under the direct supervision of CySEC.

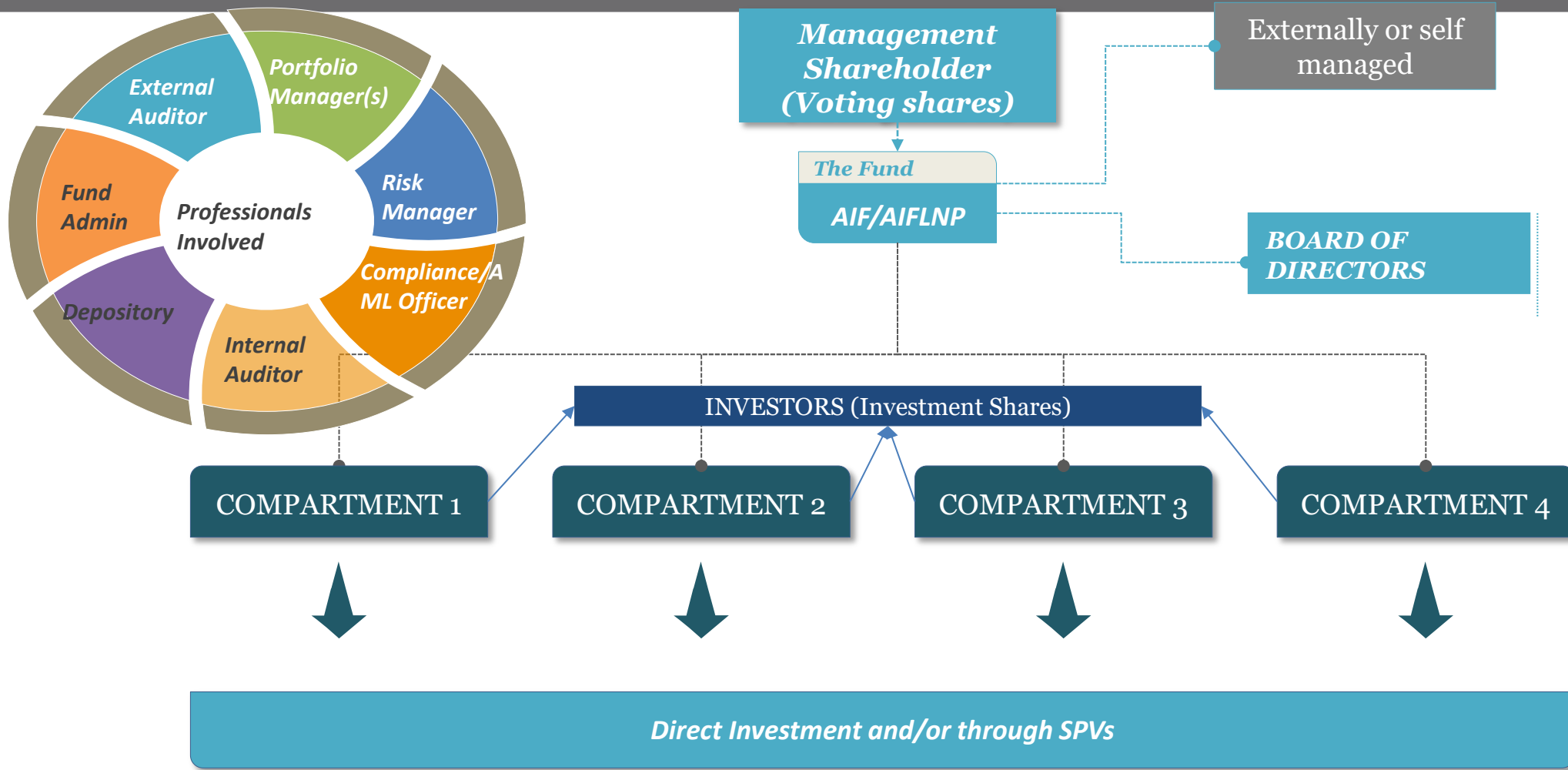
Registered AIFs:

- Exclusively addressed to Professional/Well-informed investors,
- No Authorisation required/License from CySEC,
- Externally managed by an AIFM and supervised through the supervision of their Manager,
- The Registered AIFs will be able to operate as open or closed ended funds and could be organised in any legal form available under Cyprus Law,
- No initial capital requirements,
- Always appoint a Depositary,
- Will not be registered as Money Market Funds or Loan Originating Funds.

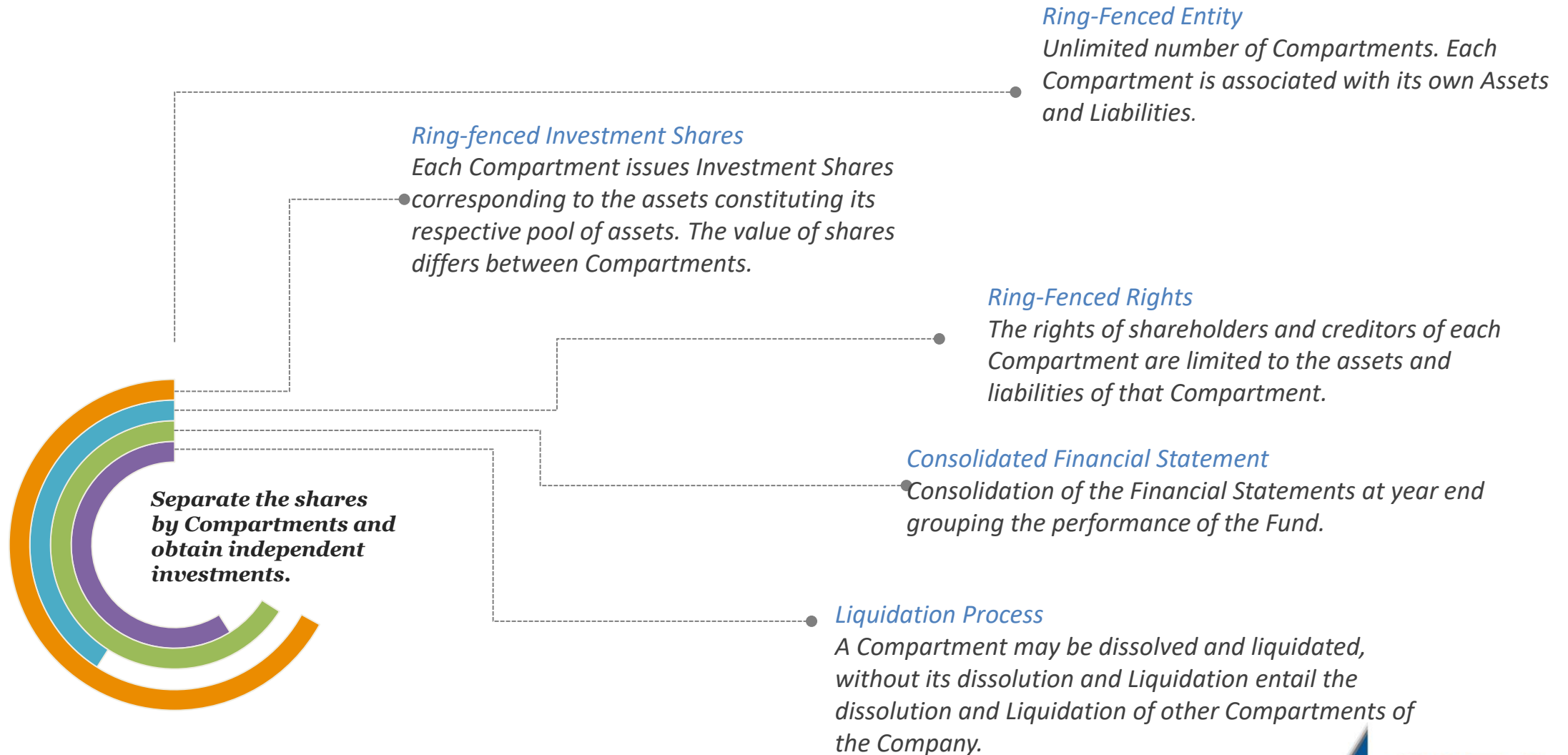
The Structure

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The Structure



Ring-Fenced Compartments – Umbrella Structure



Key Benefits of AIFs

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Key Benefits of a Cypriot Fund

Flexibility

- Any asset can be included in the investment strategy of the AIF

Transparency

- Annual audited and half yearly reports to be sent to the CySEC and the Investors

Cypriot Citizenship

- An Investor can apply for Cyprus Citizenship if makes an investment of €2m in a Cyprus AIF investing in Cyprus and take delight of all the benefits of an EU passport holder

Regulations/Modern Legislation

- EU directives / business friendly jurisdiction (no onerous reporting requirements)
- Designed legislation to take into consideration new market realities and conditions
- Strong legal Framework based on UK Common Law

Low set-up and operational costs

- Easy and cost efficient to set up and maintain Cyprus funds

Tax benefits for Funds

AT LEVEL OF FUND:

- No subscription tax on the net assets of the Fund
- Exemption from tax on capital gains from sale of corporate titles and other financial instruments
- Capital gains from the sale of immovable property situated outside Cyprus is tax exempt
- Low Corporate Tax of 12,5% (Possibility to reduce to 2.5% because of Notional Interest Deduction) on any other income
- Enjoys the benefits of a wide network of Double Tax Treaties is in place with more than 60 countries worldwide

AT LEVEL OF INVESTORS:

- No withholding tax on income repatriation or dividends paid to foreign unitholders
- No capital gains tax on disposal of shares/units by the holders (Assuming no Cyprus real estate asset)