

A Guide to Alternative Investment Funds in Cyprus

G.P.Global Ltd

The trusted financial consulting provider

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Why set up a Fund in Cyprus?

The continuous efforts to upgrade its legislative and regulatory regime along with its strong network of financial and professional services providers and the stability that provides within a region faced with economic and political challenges, have positioned Cyprus as one of the emerging investment fund centers in EU.

Cyprus offers an EU compliant jurisdiction with corporate taxation, set-up and operations cost lower than other countries.

The legal system of Cyprus is rigorous and transparent, based on common law and its tax framework offers interesting tax planning opportunities.

As a member of the European Union, Cyprus is harmonized with the EU financial services regulations and offers a competitive access to Europe, Middle East and Africa.

The Alternative Investment Funds

Alternative Investment Fund or AIF means any collective investment undertaking which collectively raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors and which has not been authorized as an Undertaking for Collective Investments in Transferable Securities (UCITS).

The Alternative Investment Funds Law of 2014 applied in July 2014 with aim to align the Cyprus legal and regulatory framework with European directives on asset management.

In July 2018 Cyprus introduced a new AIF regime to replace the Alternative Investment Funds Law of 2014. With this new AIF regime, Cyprus has upgraded its legislative framework in order to reflect the latest market demands. The new AIF regime, among others, introduces a new product called the Registered AIF and a new legal form - the Limited Liability Partnership with separate legal personality.

The new AIF Law aligns Cyprus legal and regulatory framework with the latest EU laws and directives on asset management. This enhances the market transparency and the protection of investors.

The AIF Law provides for the authorization and on-going operations of the AIFs.

The Cyprus Securities and Exchange Commission is the regulatory and supervisory authority of all AIFs authorized under the AIF Law.

The Main characteristics of the Alternative Investment Funds

An Alternative Investment Fund can be divided into:

- The AIF Unlimited Number of persons (AIF)
- The AIF Limited Number of Persons (AIFLNP)
- The Registered AIFs (RAIFs)

	AIF with Unlimited Number of Persons	**AIF with Limited Number of Persons**	**Registered AIFs (RAIFs)**
Legal Form	✓ Common Fund (CF) ✓ Investment Company - Variable Capital Investment Company (VCIC) - Fixed Capital Investment Company (FCIC) ✓ Limited Liability Partnership with or without legal personality (LP)	✓ Investment Company - Variable Capital Investment Company (VCIC) - Fixed Capital Investment Company (FCIC) ✓ Limited Liability Partnership with or without legal personality (LP)	✓ Common Fund (CF) ✓ Investment Company - Variable Capital Investment Company (VCIC) - Fixed Capital Investment Company (FCIC) ✓ Limited Liability Partnership with or without legal personality (LP)
Number of Investors	Unlimited	Maximum 50	Unlimited
Management	✓ Common Fund → Externally Managed ✓ Investment Company → Self managed or Externally Managed ✓ Limited Liability Partnership with separate legal personality → Self managed or Externally Managed ✓ Limited Liability Partnership without separate legal personality → Externally Managed	✓ Investment Company → Self managed or Externally Managed ✓ Limited Liability Partnership with separate legal personality → Self managed or Externally Managed ✓ Limited Liability Partnership without separate legal personality → Externally Managed	Always appoint an External Manager
Minimum Capital	• €125.000 for self managed or €300.000 for self- managed AIF subject to be considered as AIFM • If externally managed: N/A	• EUR 50.000 for self-managed • If externally managed: N/A	Not Subject to Minimum Capital Requirement
Minimum Assets under Management within 12 months *	Obligation to raise at least €500.000 from investors within 12 months from the date of authorization	Obligation to raise at least €250.000 from investors within 12 months from the date of authorization	Obligation to raise at least €500.000 from investors within 12 months from the date of authorization
May be established with more than one compartment (Umbrella Fund)	Yes	Yes. The Limit of 50 Unit holders must be taken into consideration when calculating the total number of Unit-holders of the Fund	Yes
Marketing	May be marketed to all types of investors: • Professional and/or Well Informed Investors • Retail Investors	May be marketed only to: • Professional and/or Well Informed Investors	May be marketed only to: • Professional and/or Well Informed Investors
Depositary	Mandatory appointment of a depositary • If it is managed by an AIFM, the depositary must be based in Cyprus. • If it is not managed by an AIFM, the depositary may be based in Cyprus, EU, or in a third country	• May appoint a Depositary based in Cyprus, EU, or in a third country • May not appoint a Depositary if in case: – Total assets of the AIFLNPs < €5.000.000; – Investors are up to 5 natural persons; – No more than 10% of AIFLNPs total assets are subject to custody and investors are up to 25 natural persons and each investor invest in the AIFLNPs a minimum of €500,000	Mandatory appointment of a depositary • If it is managed by an AIFM, the depositary must be based in Cyprus. • If it is not managed by an AIFM, the depositary may be based in Cyprus, EU, or in a third country
Transfer of Investor shares or Units	Freely transferable	Freely transferable, provided that any transfer will not breach the limit number of maximum 50 Unit-holders	Freely transferable
Fund Taxation	✓ Corporate tax rate of 12.5% ✓ No tax on gain arising from the trading in securities ✓ Dividends received are excluded from tax ✓ No capital gains tax from sale of property abroad ✓ Fund management services provided to Alternative Investment Funds are not subject to VAT		
Supervision	Cyprus Securities and Exchange Commission (CySec)		• The Registered AIF does not receive a license from the CySEC • The external manager is responsible to ensure that the Registered Fund complies with laws and regulations

- Minimum Assets Under Management within 12 months*: In case of a Fund established with more than one investment compartment, the requirement applies to each investment compartment.

G.P.Global Ltd

Brief description

GP Global Ltd is a limited company established in 2002. The main activities of the company are to provide a complete range of consulting/advisory services for the establishment, license and operation of Investment Firms (Brokerage, Forex (FX) and Marker Making), under the current MiFID Law, in Cyprus.

Our mission is to provide our clients with a fully integrated, personalized business and financing solutions. Precision is the cornerstone of our business. Precision in the way we communicate, precision in the contracts we make and precision in the way we meet our commitments. Integrity: We contact our affairs in a manner consistent with the highest ethical standards and strictly guard the confidentiality of our clients' personal and business information; Excellence: We are dedicated to the quest for excellence in the quality of the services we offer and the quality of relationships we maintain.

Our services for AIFs

Our specialised team and network of partners can assist you with:

- Regulatory advice on the AIF forms, to enable you to take an informed decision of the appropriate form;
- Support on the incorporation of the entity to be authorised as an AIF;
- Preparation and submission of the licensing application package for granting regulatory approval;
- Internal Audit services;
- Compliance Officer services;
- Assist with corporate recruitment services and the selection of key roles parties through our network of professionals;
- Indirect tax services;
- Registered offices and General Administrative services;
- Assist with Immigration documents preparations;

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