



CYPRUS INVESTMENT FIRMS (CIF)

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We offer a complete range of consulting services related to the establishment and operation of Cyprus Investment Firms (CIFs).

Our services include:

- ◆ Advising on selecting the proper form of presence in Cyprus
 - Cyprus Investment Firm (CIF)
 - Branch of the Investment Firm (I.F.) of the home company
- ◆ Authorisation and establishment of a Cyprus Investment Firm. We prepare a complete application file which includes:
 - Internal regulation Manual
 - Money Laundering Manual
 - Business Plan
 - Completion of relevant Cyprus Securities and Exchange Commission (CySec) forms
 - A variety of documentation
- ◆ CIF registration after the authorisation
- ◆ Selection of qualified staff/directors in accordance with the provisions of the CySec's Directives
- ◆ After granting of the license we offer:
 - Legal support
 - Accounting support
 - Training courses
 - Internal Audit services
 - Compliance and Anti-Money Laundering services

Investment Services and Activities and Regulated Markets Law of 2007 - Law 144(I)/2007

A brief description of the provisions of the above Law which in no way is exhaustive and further professional advice should be sought.

Opportunities ahead

The new legal framework offers the comfort for potential investors and business to consider seriously Cyprus as a potential place for their permanent establishment. The low tax rates and the service industry infrastructure provided in addition to the low administration costs add further to Cyprus's competitiveness.

The Law/Directives

In compliance with the European Union Directives regarding the Financial Services Companies the Parliament passed the "Investment Services and Activities and Regulated Markets Law of 2007 - Law 144(I)/2007". The Cyprus Securities and Exchange Commission (The Commission) having the jurisdiction, according to the law, issued several directives regarding the requirements for granting permission for operation as Financial Services Company.

Financial Services Companies

The Law defines Financial Services Companies as companies that operate under licence from the relevant regulatory authorities which in this case is the Cyprus Securities and Exchange Commission (The Commission), providing to third parties any of the following investment services and activities (core services):

- ◆ Reception and transmission of orders in relation to one or more financial instruments
- ◆ Execution of orders on behalf of clients
- ◆ Dealing in own account
- ◆ Portfolio Management
- ◆ Investment advice

- ◆ Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
- ◆ Placing of financial instruments without a firm commitment basis
- ◆ Operation of Multilateral Trading Facility

More specifically the law defines:

Investment Firm (I.F.) means a person that operates under an authorisation granted by the competent authority and provides one or more investment services to third parties or/and performs one or more investment activities on a professional basis, and includes a CIF but not a credit institution;

Branch means a place of business other than the head office, which is part of an IF, which has no legal personality and which provides investment services or/and performs investment activities, and which may also perform ancillary services for which the IF has been authorised; all the places of business set up in the same member state by an IF with headquarters in another member state shall be regarded as a single branch;

Article 6(5) of the Law

The CIF authorisation is valid in all member states and shall allow the CIF to provide the services or/and perform the activities, for which it has been authorised, in all the member states, either through the establishment of a branch or the free provision of services or performance of activities

Organisational requirements (Article 18 of the Law)

The most organizational requirements that a CIF has to fulfill in order to obtain the license from the Commission are defined at article 18 of the law and are the following:

1. A CIF must comply with the organisational requirements laid down in paragraph (2)
2. CIF must:
 - a) Establish adequate policies and procedures sufficient to ensure its compliance, including its managers, employees, tied agents and other relevant persons, with its obligations pursuant to this Law and the directives issued pursuant to this Law, as well as appropriate rules governing personal transactions by such persons;
 - b) maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest as stated in section 29 from adversely affecting the interests of its clients;
 - c) take reasonable steps to ensure continuity and regularity in the performance of investment and ancillary services and activities, by employing appropriate and proportionate systems, resources and procedures;
 - d) ensure, when relying on a third party for the performance of investment services or activities or operational functions which are critical for the provision of continuous and satisfactory service to clients and the performance of investment activities on a continuous and satisfactory basis, that it takes reasonable steps to avoid undue additional operational risk. Outsourcing of the above must not be undertaken in such a way as to materially impair the quality of its internal control and the ability of the Commission to monitor the CIF's compliance with all its obligations;

- e) have robust governance arrangements which include a clear organisational structure with well defined, transparent and consistent lines of responsibility;
 - f) have sound administrative and accounting procedures, internal control mechanisms, effective procedures for assessing the risks the CIF undertakes or may undertake, and effective control mechanisms; including appropriate administrative and accounting procedures and safeguard arrangements for information processing systems;
 - g) arrange for records to be kept of all services provided and transactions undertaken by it, which shall be sufficient to enable the Commission to monitor compliance with the requirements under this Law, the directives issued pursuant to this Law and the Regulation (EC) No 1287/2006, and in particular to ascertain that the CIF has complied with all its obligations with respect to clients or potential clients;
 - h) to apply appropriate client identification procedures, record maintenance and internal reporting as provided by the Prevention and Suppression of Money Laundering Activities Law and by directives issued pursuant to the said Law or/and to section 20 of this Law;
 - i) when holding financial instruments belonging to clients, to make adequate arrangements so as to safeguard clients' ownership rights, especially in the event of the CIF's insolvency, and to prevent the use of a client's instruments on own account except with the client's express consent;
 - j) when holding funds belonging to clients, make adequate arrangements to safeguard the clients' rights and, except in the case of credit institutions, prevent the use of client funds for its own account.
3. The arrangements, processes and mechanisms laid down in subsection (2) must be comprehensive and proportionate to the nature, scale and complexity of the business activities of the CIF, especially when taking into account the nature and range of the investment services and activities it undertakes in terms of the said business activities.

Organizational Units

Depending on the range of the investment services that the company wishes to offer relevant organizational units should be operated. Possible core Investment Services that a Financial Services Company may offer are:

- a) Reception and transmission of orders in relation to one or more financial instruments
- b) Execution of orders on behalf of clients
- c) Dealing in own account
- d) Portfolio Management
- e) Investment advice
- f) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
- g) Placing of financial instruments without a firm commitment basis
- h) Operation of Multilateral Trading Facility

Share Capital Requirements

The minimum required issued and fully paid share capital of a Financial Services Company depends on its core activities and is analyzed in table below:

Issued and Fully paid Share Capital

Investment Service	Share Capital €	Note
Reception and Transmission	200.000	A
Execution of orders	200.000	A
Portfolio Management	200.000	A
Provision of Investment Advice	200.000	A
Reception and Transmission	80.000	B
Investment Advice	80.000	B
Dealing on own account	1.000.000	
Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	1.000.000	
Placing of financial instruments without a firm commitment basis	1.000.000	
Operation of Multilateral Trading Facility	1.000.000	

Note A : Holds clients' money or/and client's financial instruments

Note B : Does not holds clients' money or/and client's financial instruments

Further requirements

- ◆ The Board of Directors of a CIF shall consist of at least:
 - two executive Directors and
 - two independent non- executive Directors.
- ◆ The majority of the Directors of the CIF shall be residents of Cyprus.
- ◆ The management of a CIF must be undertaken by at least two persons meeting the following requirements:
 - Shall be of sufficiently good repute and sufficiently experienced as to ensure the sound and prudent management of the CIF
- ◆ The CIF shall have a General Manager, who shall:
 - have detailed knowledge of all of its activities,
 - render his services in full and exclusive employment at the CIF
 - be a resident of Cyprus.
- ◆ The General Manager of the CIF may be one of the executive Directors.
- ◆ Employees/ key persons of the CIF shall render their services in full and exclusive employment at the CIF so that the following objectives are achieved:
 - the CIF shall operate independently from all other businesses of the group, to which it, possibly, belongs,
 - the employees/ key persons of the CIF shall be specified and accessible at all times
 - the reporting lines of the employees/ key persons shall operate within the CIF and not within the group to which the CIF, possibly, belongs,
 - the CIF shall independently offer the necessary substance.
- ◆ Article 77 of the Law defines the requirements for establishment of a branch in Cyprus by an IF incorporated in a member state.
- ◆ Article 78 of the Law defines the requirements for establishment of a branch in Cyprus by an IF incorporated in a third country.