CYPRUS ALTERNATIVE INVESTMENT FUNDS

CY AIF
ALTERNATIVE INVESTMENT FUND MANAGERS LAW OF 2013 (AIFM LAW)

Currently 3 types of AIFs can be offered through Cyprus:

1. AIF to Qualified and Professional Investors:
   - In the form of a fixed or variable capital company
   - In the form of a Common Fund
   - Limited Partnership
   - Sub funds can be created under an umbrella structure
   - No limitation on the number of investors
   - Investors must be professional, qualified investors
   - Minimum investment (subscription) set at EUR 125,000
   - Custodian Necessary (foreign EU Bank can be appointed until 2017)
   - Can be self-managed by the Board or through a Fund Management Company

2. AIF Available to the Public:
This type of fund is being updated under the law and new provisions will be available in the next 3 months.
   - In the form of a fixed or variable capital company
   - In the form of a Common Fund
   - Limited Partnership
   - Sub funds can be created under an umbrella structure
   - No limitation on the number of investors
   - Investors can be retail (the law is being updated in this respect)
   - Minimum investment expected at EUR 75,000 – EUR 125,000
   - Custodian Necessary (foreign EU Bank can be appointed until 2017)
   - Can be self-managed by the Board or through a Fund Management Company
   - A strong administrator is a must for this type of Fund

3. AIF with limited number of persons – AIF LNP (previous ICIS Funds):
These are the most common types of Funds in Cyprus.
   - In the form of a fixed or variable capital company, or
   - Limited Partnership
   - Variable Capital Company is the most common type used
   - Sub funds can be created under an umbrella structure
   - Limitation on the number of investors (maximum 75 investors per Fund)
   - Investors must be professional, well informed investors
   - Minimum investment set at EUR 125,000 or assessed as well informed by a credit institution, Investment Firm or a UCITS Management Company

- Can be self-managed by the Board or through a Fund Management Company or through an Investment Firm possessing Asset Management License
  i. Custodian Necessary (foreign EU Bank can be appointed until 2017), this point can be waived if:
     i. the Assets Under Management are below EUR 5mn
     ii. There are less than 5 Investors
  iii. If asset classes being invested in do not require custody (real estate, commodities)
  iv. In this case a CIF holding safekeeping and administration license can be the depository as a custodian substitute
  - Fund administrator is a must (combined with book keeping and AML)
  - Legal Advisor is a must
  - Auditor is a must
  - Compliance is a must
  - Internal Audit is a must
  - Board of Directors if self-managed must have specific industry know how

CAPITAL REQUIREMENTS

- IF SELF MANAGED EUR 300,000 minimum capital at inception
- IF MANAGED THROUGH A FUND MANAGER, a capital of EUR 200,000 is required as seed capital at Inception.

PROCEDURES

Application to CySEC:
Submission file, due diligence pack and Offering Memorandum/Prospectus is prepared within 3-4 weeks depending on the client providing all necessary documentation.

- IF A MANAGER IS HIRED to endorse a fund application under their umbrella a fund license is granted within 2 months.
- IF SELF-MANAGED may take four months, and up to 6 months from submission date in some cases.