

# Cyprus Funds and the Enhanced Role of the Cyprus Securities & Exchange Commission



**Achieving your full potential in Cyprus,  
Moscow  
Russian Federation**

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# Cyprus

- Modern regional financial centre
- Internationally competitive advantages
- Legal framework in line with rest of EU
- Efficient and robust service providers



# Cyprus Securities & Exchange Commission (CySEC)

- Legal entity of public law
- Scope:
  1. Investor protection
  2. Integrity of the market
  3. Transparency
  4. Development of the market
- Regulates:
  - Investment firms
  - Regulated markets and exchanges
  - Listed companies
  - UCITS and UCITS management companies



# Cyprus Securities Market in numbers

- 116 licensed Cyprus Investment Firms (CIFs)
- 1 regulated market (the CSE)
- 119 listed issuers
- 2 credit rating agencies

## EU entities that provide investment services to Cyprus:

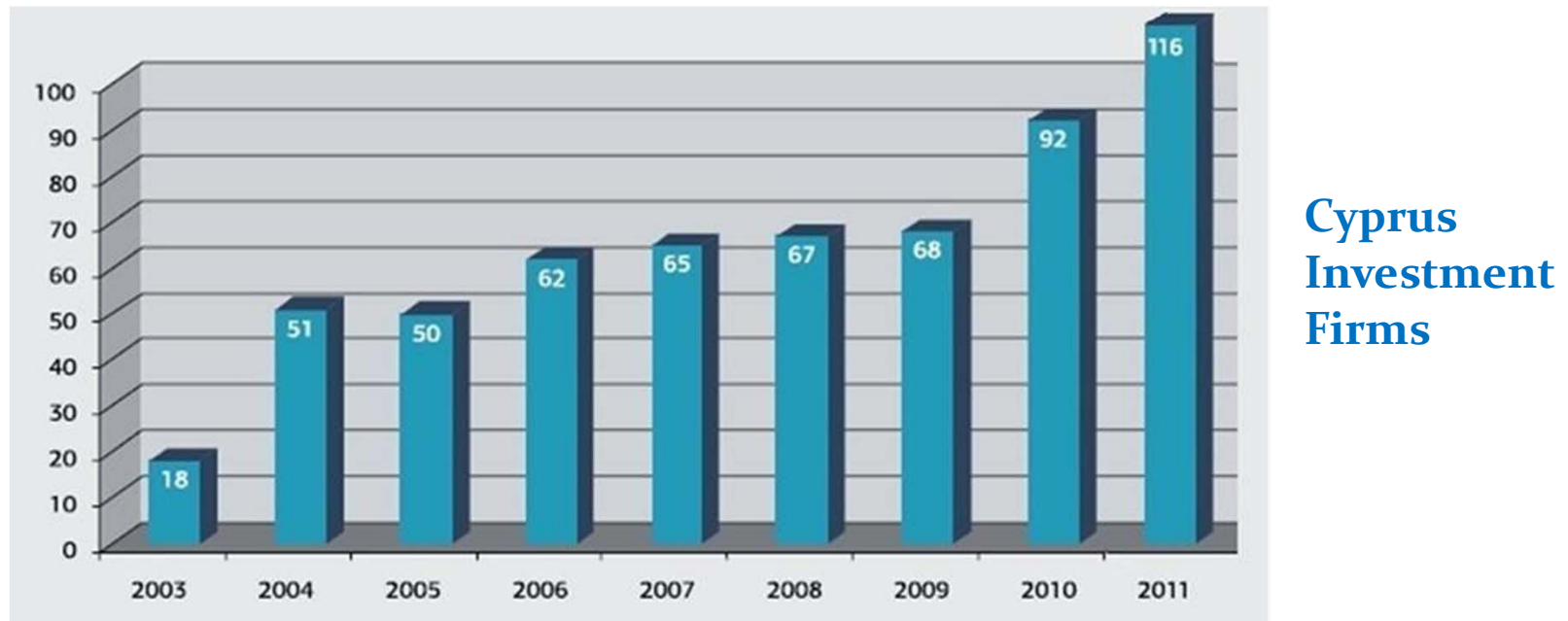
- 7 branches, 1450 cross border and 5 regulated markets  
- screens

## Also from the European Economic Area:

- 54 UCITS and 11 Management Companies



## Growing Interest in Cyprus



- Steady increase in numbers of supervised entities
- Many are of Russian ownership
- Substantial number of CIF license applications at CySEC



## CySEC's Enhanced Role

- Effective supervision of authorised entities
- Streamline & shorten of licensing process
- Open channels of communication
- Fiduciary companies (administration companies) set up in Cyprus soon under the CySEC supervision
- Timely transposition of EU Directives
- Facilitate and promote Cyprus UCITS & CIS market



# Developments in Collective Investment Schemes

- New Law on Collective Investment Schemes harmonizing UCITS IV Directive (*expected to be enacted by the Cyprus Parliament shortly*)
- Work on the harmonization of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) has already commenced. The aim is to complete the transposition this year.
- Revision of Legal Framework regarding Cyprus AIFs ( currently ICIS Law)



## Improvements of new UCITS legislation

- Management Company '*Passport*' is extended
- The '*Notification Procedure*' for the marketing of units of UCITS in other Member States is simplified
- *Cross Border Mergers* of UCITS
- Introduction of *Master and Feeder Structures*
- Introduction of Key Investor Information Document (*KIID*)





# UCITS IV - Passporting

- UCITS can be marketed in other EU member states following a simplified notification procedure
- Asset managers can take advantage of the UCITS Management companies passport
  - Can act as MC for a UCITS domiciled in another member state
  - Flexibility in domiciliation of funds
  - Subject to multiple jurisdictions
  - MC passporting is subject to authorization by CySEC



# Activities of Management Company

- Management of UCITS
- Management of other Collective Investment Undertakings
- Portfolio management
- Investment advice
- Safekeeping and administration in relation to units of Collective Investment Undertakings

*Management Companies must be authorized for Management of UCITS first and then for the provision of other services*



## UCITS IV – UCITS Characteristics (1)

- Eligible investments restrictions
- Investment diversification restrictions
- Special restrictions for ETFs and FOFs
- Risk management
  - Total exposure limits (incl. derivatives) and VAR
  - Counterparty risk
  - Liquidity risk



## UCITS IV – UCITS Characteristics (2)

- Custodian
- Purchase and redemption of units
- Information and disclosures to investors
  - KII
  - Prospectus
  - Periodic reports



## ICIS – Regulatory update

- CySEC will be the regulatory authority
  - Currently is the Central Bank of Cyprus
- A new law is being drafted on AIFs
  - currently only the 100 shareholders private ICIS is allowed
  - Private ICIS continuity assured
- AIF MC will have to comply with the AIFMD (June 2013) if AUM exceed:
  - 500 million (no use of leverage)
  - 100 million (use of leverage)



## AIFMD – General Review

- Regulatory supervisory framework for AIF Fund managers within the EU
- EU passporting to professional investors
- Similar obligations with UCITS MCs
  - Depositary (separate from prime broker)
  - Risk management, NAV
  - Delegation arrangements
  - Compliance, internal controls
- Principles governing remuneration policies



## Advantages of Cyprus Economy

- Efficient regulation and supervision
- Access to the EU market
  - European client pool
  - Can take advantage of EU passport for provision of financial services
  - Regulatory framework in line with EU legislation - MiFID
- Strong availability of support services & skilled workforce, favorable tax regime, convenient time zone, relatively low cost base, and many more.



# Thank you

- Thank you for your attention

