



MOCKBA 04.04.2012 MOSCOW

Achieving your full potential in Cyprus

A T T R A C T I V E N E S S B E Y O N D T A X A T I O N

Investment Services within the European Union. The Cyprus Potential.

Marios Demetriades
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Piraeus Bank (Cyprus) Limited



Achieving your full potential in Cyprus
ATTRACTIVENESS BEYOND TAXATION

Cyprus: From Financial Services Centre to an Investment Services Centre

- Already well-established as a major financial services center within the European Union
- Attractive tax regime, stable environment, efficient banking system, robust legal framework, high quality of human capital
- Current developments, both in Cyprus and European Union (EU), gear Cyprus towards becoming a major EU investment services center within the next few years



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Cyprus offers significant benefits for entities seeking to establish a presence in Cyprus

- Lowest corporate tax rate in the EU and an extensive Double Tax Treaty network (45 countries)
- EU passporting
- High quality of human capital
- Good geographic location
- Relatively low cost of establishment and operation
- High standard of professional service
 - Accountants
 - Lawyers
 - Banks



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Cyprus offers significant advantages compared to other EU destinations for Russian investors

- Attractive Double Tax Treaty
- Close historical ties
- Lowest cost of set-up and operation compared to destinations like Luxembourg
- High number of Russian speaking staff
- Friendly business environment



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Cyprus currently offers 3 options for establishing Investment Services Vehicles

1. Set up a Cyprus Investment Services Firm (CIF)
2. Set up a non-Retail fund under the Law for International Collective Investment Schemes (ICIS Fund)
3. Set up a Retail fund under the Law for Open-ended undertakings for collective investment in transferrable securities (UCITS Fund)



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Set up a Cyprus Investment Services Firm (CIF)

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Cyprus Investment Firms are governed by an EU compliant and modern legislation

- Governed by the 'Law which provides for the services of Investment Services, the exercise of Investment Activities, the operation of regulated markets and other related matters'
- Under the supervision of the Cyprus Securities and Exchange Commission (Cysec)
- Covers all main investment services and types of instruments
- Ability to provide services within the whole of EU - MIFID compliant
- Approved companies need to comply with Cysec's organizational requirements and certain ongoing obligations
- €40k to €1m capital required depending on services provided
- Time to approve can be as little as 2 months



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A growing number of International market participants use the Cyprus Investment Firm vehicle

- Number of approved CIFs almost doubled in the last five years and keeps rising
- Great majority of registered firms are foreign-owned
- Interest mainly driven by:
 - Cyprus's attractive tax regime
 - Firms looking to operate within the EU
- More than 20% of market participants are Retail FX brokers



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The example of retail FX service providers

- The number of retail FX brokers in Cyprus has been increasing geometrically
- Retail FX Brokers prefer Cyprus as it offers:
 - An EU MIFID-based legislation that accommodates FX instruments and allows offering of services in the EU and various other jurisdictions
 - Significant experience of Cysec in regulating such operators
 - Reasonable capital requirements (€200k for brokerage and €1m for all services including dealing in own account)
 - Attractive tax regime with corporate rate being only 10% and extensive network of double tax treaties



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Some of the most well known names in the Retail FX space have established operations in Cyprus



Selected retail FX brokers that operate under a Cyprus license

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Cyprus licensed Investment Firms include some very well established Russian and International names

IKOS

A Alfa Capital
Holdings (Cyprus) Ltd

Renaissance
Group

Z Zerich
SECURITIES

U UniCredit

V Veles International
L I M I T E D

MDM INVESTMENTS
LIMITED

A ATON
ATONLINE LIMITED

**UKRAINIAN
EXCHANGE**
Stock Market Leader
in Ukraine 2010
Dragon Capital
2010

Selected Investment Firms operating under a Cyprus license

**PIRAEUS
BANK**

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Set up a non-Retail fund under the Law for International Collective Investment Schemes (ICIS Fund)

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Non-Retail Funds, limit of 100 investors max

- Governed by the 'International Collective Investment Schemes Law'
- Currently under the supervision of the Central Bank of Cyprus
- Schemes may take the following forms:
 - International Fixed Capital Company (IFCC)
 - International Variable Capital Company (IVCC)
 - International Unit Trust Scheme (IUTS)
 - International Investment Limited Partnership (IILP)
- No duration restrictions
- Limit of 100 investors max
- Can be self managed
- No minimum capital
- No restrictions on Investment Policy
- Require a Cyprus Bank as custodian
- Fast approval process - about 2 months



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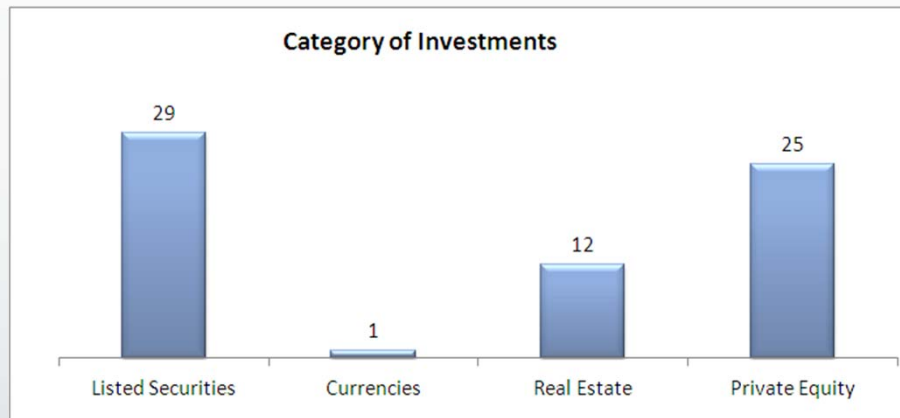
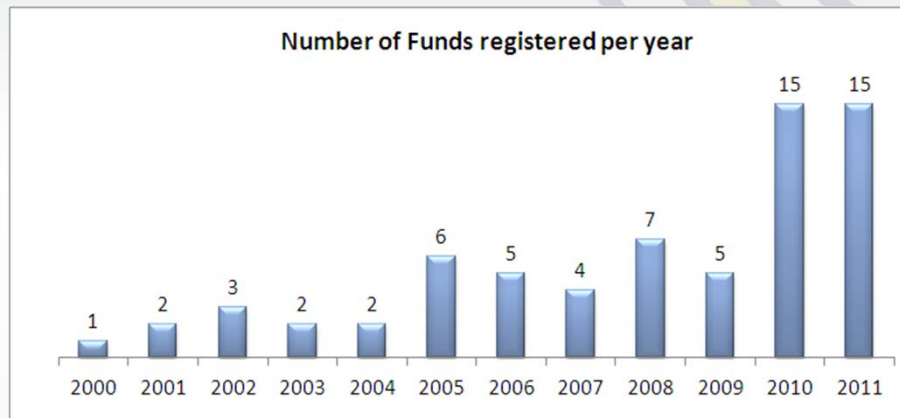
ICIS law offers significant flexibility to Fund sponsors

- Can accommodate any investment policy
- Most of today's legal forms covered
- May be self-managed
- Low taxation
- Low cost of set-up and operation
- Fast approval



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Number of ICIS new registrations shows increasing interest



Source: Central Bank of Cyprus

- New Fund registrations increased significantly during last two years
- Expected to maintain this trend in the forthcoming years
- Most of the interest is for Alternative Investment Strategies
- New AIFMD legislation will incorporate the existing law and offer more choices
- Expected to receive high interest from Hedge Funds looking to domicile in Cyprus



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Set up a Retail fund under the Law for Open-ended undertakings for collective investment in transferrable securities (UCITS Fund)

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Retail Funds can be registered under the UCITS legislation which provides them with an EU passport

- Governed by the 'Open-ended Undertakings for Collective Investment in Transferable Securities (UCITS) and related issues Law'
- Under the supervision of the Cysec
- UCITS can take the form:
 - Common Funds (Mutual Funds) or
 - Variable Capital Investment Companies
- Common Funds can only be created by a Management Company
- Variable Capital Investment Companies can be self managed under certain strict conditions
- Min capital for Management Companies is €770k and for UCITS €1.7m
- Investment restrictions as per UCITS Directive
- Requires a local depository (custodian)
- Approval process - 2 to 6 months



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No Funds registered under the UCITS legislation yet but...

- No UCITS Funds have been registered so far
- Forthcoming changes in the legislation will make it more attractive to market participants
- These include among others :
 - The ability of a Management Company to manage UCITS Funds in / from another European Union country
 - The creation of Umbrella funds and Master / Feeder structures
 - Capital guaranteed funds
 - Listing of shares / units on a stock exchange



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Piraeus Bank (Cyprus) Limited can assist as provider of:

- **Custody** services for Cyprus domiciled Funds and Investment Firms
- **Discretionary portfolio management** services
- **Execution of FX transactions** as part of investment services
- **Banking** arrangements
- **Execution of transactions in equities and bonds** around the world



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In conclusion

- Cyprus is better known for its traditional Financial Services
- Cyprus Investment Services sector developed significantly over the last years
- Latest indications combined with changes in the European and local legislation show a clear upward trend
 - Number of CIF and ICIS continuously increasing
 - Changes in the UCITS legislation will make it more attractive
 - Introduction of the AIFMD legislation is expected to significantly boost interest
 - Regulation of Funds under a single supervisor will make process more efficient and effective
- Piraeus Bank (Cyprus) can offer a number of services to entities seeking to operate in the Cyprus Investment Services sector