

FUND SERVICES

ALTERNATIVE INVESTMENT FUNDS IN CYPRUS

HALIOS
CAPITAL



Alternative Investment Funds (AIFs) are collective investment undertakings which raise external capital from a number of investors with a view to investing in accordance with a pre-defined investment policy for the benefit of those investors. AIFs are recognised on an international scale and can be sold privately to investors subject to local security law compliance.

Cyprus adopted the Alternative Investment Funds Law of 2014 in July 2014, which aligns the Cypriot Investment Funds legal framework with all recent EU legislative developments. Since then, Cyprus has emerged as a jurisdiction of choice for Alternative Investment Fund Managers (AIFMs) and AIFs.

In addition to its comprehensive framework, Cyprus serves as a strong link for investments in and out of Europe and it has easy access to Eurasia / Russia and the CIS region, China, India and other emerging markets. As such, it provides distribution opportunities to a wide range of markets.

AIF Structures

In addition to standard AIFs, Alternative Investment Funds with Limited Number of Persons ('AIFLNPs') and Registered Alternative Investment Funds ('RAIFs') are also available. The differences between the three types of AIF can be seen in the table below:

	AIF	AIFLNP	RAIF
Legal forms	Common Fund (CF) Variable Capital Investment Company (VCIC) Fixed Capital Investment Company (FCIC) Limited Partnership (LP)	Variable Capital Investment Company (VCIC) Fixed Capital Investment Company (FCIC) Limited Partnership (LP)	Variable Capital Investment Company (VCIC) Fixed Capital Investment Company (FCIC) Limited Partnership (LP)
Eligible Investors	Professional and/or well - Informed Investors or Retail Investors	Professional and/or well - Informed Investors	Professional and/or well - Informed Investors
Number of Investors	Unlimited	Up to 75	Unlimited
CySEC Licencing Requirement	Yes	Yes	No
Minimum Capital Requirement	€125,000 or €300,000 for self - managed AIF/AIFM. Requirements apply to each investment compartment, when the AIF is established as an Umbrella Fund	Not Subject to Minimum Capital Requirement	Not Subject to Minimum Capital Requirement
Investment Manager	Can be self-managed by their Board of Directors (in the case of a company) or appoint a fund manager	Can be self-managed (in the case of a company) or appoint a fund manager	AIFM licensed in the EU - If the fund is set up as a Partnership and 70% of its assets are illiquid, then can also be managed by: <ul style="list-style-type: none"> • UCIT Manager licensed in the EU; • Cyprus Investment Firm ("CIF") • Mini-manager (in process of enactment)
Assets Under Management	No restrictions if AIFM appointed. Up to €100m including leverage or €500m with no use of leverage and no redemption rights for 5 years if not AIFM appointed	Up to €100m including leverage or €500m with no use of leverage and no redemption rights for 5 years	No investment restrictions apply but cannot be set up as Money Market Fund, Loan Origination Fund or Fund of Funds
Depository	Mandatory appointment of a local Depository if managed by an AIFM Cyprus, EU, or in a third country based if AIFM not appointed. May be waived in case the total assets of the AIF are not subject to custody	Cyprus, EU or in a third country based. May be waived if one of the following criteria is met: total assets of the Fund < €5m up to 5 Investors total assets of the Fund are not subject to custody	Mandatory appointment of a local Depository

Benefits of Cyprus AIFs

- Cost-efficient and simple to set-up, manage and operate
- Modern regulatory framework
- Increased flexibility as a number of asset classes can be included in an AIF investment strategy
- Full transparency through annual audited and half yearly reports to Cyprus Securities and Exchange Commission (CySEC)
- Significant tax incentives
- No subscription tax on net assets of a fund
- Exemption from tax on profits from sales of shares and other instruments
- No withholding tax on income repatriation or dividends paid to unit holders
- No capital gains tax on disposal of shares/units by the holders
- Tax exemption on capital gains from the sale of immovable property located outside Cyprus
- An extensive network of double tax treaties in place with more than 60 countries worldwide

How can Halios Capital help?

Regulatory and Compliance Services

- Assistance in structuring and set-up
- Acting as promoter of the client's entire application and liaising with the Cyprus regulatory authorities, as necessary
- Assistance with drafting of constitutional documents and offering memorandum
- Design of corporate governance framework
- Assistance with re-domiciliation

Direct and Indirect Tax Services

- Fund structuring and transaction analysis
- International tax planning and implementation of cross-border investments and transactions
- Preparation and submission of corporate tax returns
- VAT services in relation to fund providers and VAT compliance

Audit and Regulatory Reporting Services

- Wealth Management Services for High-Net-Worth Individuals
- Business Structure
- Personal Tax Compliance

Advisory Services

- Internal audit, risk and compliance services
- Financial risk management
- Transactions and restructuring
- Business performance services
- Valuation services

We can also offer Administration, Compliance & Secretarial Services through associated firms:

- Fund accounting
- NAV calculation
- Middle office
- Transfer agency
- Regulatory reporting
- Fund secretarial services
- Compliance

Contact Details