



THE CYPRUS INVESTMENT FIRM

I. INTRODUCTION

Cyprus is an attractive jurisdiction for the provision of investment and ancillary services across the European Union. Therefore, the investors and businessmen may establish a Cyprus Investment Firm (the "CIF") governed by the Law 144(I)/2007 on the Provision of Investment Services, Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters (the "Law").

II. INVESTMENTS SERVICES AND ACTIVITIES REGULATED BY THE LAW

Investment services and activities which are subject to the granting of a license

1. Reception and transmission of orders;
2. Execution of orders on behalf of clients;
3. Dealing on own account;
4. Portfolio management;
5. Investment advice;
6. Underwriting and/or placing of financial instruments on a firm commitment basis;
7. Placing of financial instruments without a firm commitment basis;
8. Operation of Multilateral Trading Facilities ("MTF").

Ancillary Services

(Note: No license is granted for the operation of a CIF in relation to the provision of ancillary services only.)

1. Safekeeping and administration of financial instruments;
2. Safe custody services;
3. Granting credits or loans to an investor for transaction purposes;
4. Advice on capital structure, industrial strategy ; matters;
5. Foreign exchange services;
6. Investments research and financial analysis;
7. Services related to underwriting.

III. REQUIREMENTS FOR THE GRANTING OF A CIF LICENSE

See also Checklist for applying for license in Annex A herein

CAPITAL REQUIREMENTS

The minimum initial capital for a CIF providing and/or conducting any of the following is **Euro 730.000**

- Dealing on own account;
- Underwriting/placing of financial instruments on a firm commitment basis;
- Operation of MFT;
- Placing of financial instruments without a firm commitment basis



	<p>However, there are two exceptions to the above:</p> <p>a) Custodian company that does not deal on own account and does not deal with underwriting /placing of financial instruments on a firm commitment basis must have initial minimum capital of Euro125.000</p> <p>b) A CIF providing any of the above-mentioned services without holding client's assets and/or client's financial instruments must have minimum initial capital of Euro 50.000</p>
HEAD OFFICE	<p>It must be situated in Cyprus and be fully staffed;</p> <p>Employees performing the investment services must be holders of a certificate obtained after successful examination of the Cyprus Ministry of Finance.</p>
OWNERSHIP	<p>Full disclosure of the identity of the direct or indirect shareholders, legal or physical entities, that have qualifying holdings (10% or more) which makes it possible to exercise a significant influence over the management of that undertaking as well as the amounts of those qualifying holdings.</p> <p><i>Note: No information in relation to the beneficial owner is revealed or made available to the public records of the Registrar of Companies.</i></p>
MANAGEMENT	<p>Two persons who shall be of sufficiently good reputation and have sufficient experience as to ensure the sound and prudent management of the CIF.</p>
BOARD OF DIRECTORS	<p>It consists of at least two executive members and two independents non-executive members.</p> <p>The persons to be appointed as directors of the company must:</p> <ul style="list-style-type: none"> • Dedicate adequate time for the execution of their duties; • Be of sufficiently good repute; • Possess adequate knowledge, capabilities and experience so as to the activities and main risks of the CIF
ORGANIZATIONAL REQUIREMENTS	<p>-policies and procedures in order to comply with the Law and the relevant directives;</p> <p>-Organizational and administrative procedures to protect clients from any conflicts of interest;</p> <p>-Measures to ensure continuity of services and activities;</p> <p>-Actions to minimize operational risks and adopt policies for risk management;</p> <p>-Proper corporate governance;</p> <p>-Administrative and accounting procedures including internal control mechanisms, risk management and monitoring procedures;</p>



	<ul style="list-style-type: none"> -Sufficient records of all services and transactions taken; -Client identification procedures for prevention of any money laundering activities; -Actions to safeguard clients' ownership rights; -Well defined hierarchy structure in the CIF; -Periodically assessment and review of the effectiveness of the Policies, arrangements and procedures
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IV. TAXATION OF A CIF

- CIF is subject to tax as any other tax resident company established under the Cyprus Companies' Law (Cap. 113) – 12,5% on any resulting net profit at the year's end;
- There is no tax (0%) on profits from the sale of "titles" (i.e. shares, bonds, debentures, founders' shares and other titles of companies or other legal persons, incorporated in Cyprus or abroad and options therein);
- No corporation tax (0%) on dividends received by a CIF from own investments from resident or non – resident companies;
- No withholding tax (0%) on payments to its non-resident shareholders in respect of dividends, or interest or royalties;
- No Special Defence Contribution Tax on dividends received by CIF from another Cyprus resident company;
- No Special Defence Contribution Tax on dividends received by a CIF from a non-resident company.

V. OTHER MATTERS RELATED TO CIF

Provision of services of to another Member State or Third Country by CIF

A CIF may freely provide investment and ancillary services in another Member State or a third country provided the services are covered by its authorization and has notified CySEC accordingly.

Provision of services in Cyprus by IF of other Member State

CySEC is notified by the competent authority of the home Member State of the permission given to the IF to provide services in Cyprus. The notification should include the operations, the investment services and any tied agents.

Establishment of Branch by CIF

CIF may establish a branch in another Member State or a third country provided that CySEC has previously been notified in writing and approved such.

Establishment of a Branch in Cyprus by an IF of another Member State

An IF of another Member State can establish a branch in Cyprus and provide the services that are covered by its licence.



Establishment of a Branch in Cyprus by an IF of a Third Country

An IF that is authorized by the competent authority of a third country may provide investment services in Cyprus provided it has obtained prior authorization from CySEC. The branch must comply with all the conditions and obligations imposed upon a CIF.

DISCLAIMER

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