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Setting Up A Cyprus Investment Firm (CIF)

The implementation of The Investment Services and Activities Regulated Markets Law of 2007 - Law 144(I)/2007 makes Cyprus an attractive place for establishing a Cyprus Investment Firm (CIF), offering investors and businesses a “single passport” to provide investment services across the European Union (EU).

With the lowest corporate tax rate in the EU, a sophisticated services industry and a highly developed infrastructure, Cyprus is fast gaining a competitive position within the global financial services industry. The Cyprus Investment Firm is indeed considered a valuable vehicle used by the international investor for investment activities within the EU or outside the EU.

A CIF cannot offer professional investment services without being licenced by Cyprus Securities and Exchange Commission (CySEC).

The first step must be the incorporation of a normal company and after this an application must be made for obtaining a Licence, supervised by CySec.

Furthermore, it will be necessary to have a business plan, an operations manual and the completion and submission of all the necessary forms and documents that need to be submitted to the CySec and other Cypriot authorities.

It takes approximately 2-4 months from commencing the procedure until the issuing of the licence which will allow the company to operate.

Under the laws of Cyprus, the relevant Authorities are under an obligation to reply to the application within a period of 6 months.

Our Firm can assist you in obtaining an Investment Firm (CIF) License from Cyprus Securities and Exchange Commission (CySec) which is based on the provisions of Markets in Financial Instruments Directive (MiFID) The above authorization is granted under the MIFID regulation.



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The share capital requirement depends on the type of Forex Company which you wish to establish.

Issued and Fully paid Share Capital

Investment Service	Share Capital (€)	Comments
Reception and Transmission	125,000	Holds clients' money and/or client's financial instruments
Execution of Orders	125,000	Holds clients' money and/or client's financial instruments
Portfolio Management	125,000	Holds clients' money and/or client's financial instruments
Provision of Investment Advice	125,000	Holds clients' money and/or client's financial instruments
Reception and Transmission Execution of Orders	50,000 or has professional liability insurance or combination of both	Does not hold clients' money and/or client's financial instruments
Portfolio Management Provision of Investment Advice	50,000 or has professional liability insurance or combination of both	Does not hold clients' money and/or client's financial instruments
Dealing on own account	730,000	
Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	730,000	
Placing of financial instruments without a firm commitment basis	730,000	
Operation of Multilateral Trading Facility	730,000	

Costs:

There is a fee charged by CySEC of €3.000 plus €1.000 per investment service, except for a Multilateral Trading Facility (MTF) for which the additional amount is €10.000, as well as €500 per ancillary service.



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The application package that needs to be prepared and submitted to CySEC:

In order to obtain a license from CySEC to operate as a Cypriot Investment Firm (CIF), an application package has to be submitted for approval. The documents that are included in the application package are, but not limited to, the following:

1. Completed application form as provided by the CySEC
2. Information about the directors, managerial staff and shareholders with special participation (for example CVs, completed questionnaires as provided by CySEC etc)
3. Company legal documents (certificate of incorporation, Memorandum and Articles of Association etc)
4. Certificates of the registered office in Cyprus
5. Certificates by the Republic of Cyprus confirming the Directors & Secretary of the Company
6. Group structure
7. Organizational structure
8. Clean criminal records and Certificates of Good Standing of the shareholders with special participation, the Board of Directors and employees of the Company
9. Company procedures manual for all activities and operations
10. Together with the above document bundle, a three year business plan, and the internal procedures manual and anti-money-laundering and know-your-client procedures must be filed with the application.

It takes approximately 1-2 months for the preparation and submission of the application package. Upon submission, CySEC has a period of maximum 6 months to review the application and come back to the company asking for additional information and clarifications. Usually the Company is then given 2-3 weeks to provide CySEC with the required information and given that no additional clarifications will be required by CySEC, the Company will be given a conditional licence. This means that CySEC will give the applicant company a list of conditions/requirements that will have to be fulfilled.

A licence should be issued around 4-5 months after submission. The time required for such licence to be granted also depends on the workload of CySec.



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Conditions for the granting of a license

1. Minimum issued share capital
2. Setting-up of a Cypriot company
3. Organization adequacy and administrative structure of the company
4. Efficiency of the internal control mechanism of the company (*to be described in the procedures manual*)
5. The structure and organization of the company should be designed to minimize the risk of conflict of interest between the client and the company or between the clients
6. Proper staffing of the company (actual staff employed not required for the license to be issued) as per submitted organizational chart
7. Suitability of the shareholders and directors of the company- minimum requirement is that at least one director who is resident in Cyprus to act as Executive director and who passes the fit and proper test.
8. The company has physical office space in Cyprus.
9. Cysec must be satisfied that the company has such internal procedures so as to avoid any potential conflict of interest with its clients.

Taxes in Cyprus

- ✓ Profits from CIF's activities, Corporation tax on net profit is 12,5%. However, gains from the sale of titles, and, in most cases, dividends received are exempt from tax. There is no withholding tax on dividend, interest and royalties paid to non-residents.
- ✓ Capital Gains Capital gains are not taxable in Cyprus except for the 20% tax on gains on immovable property that is located in Cyprus, and on any gain from the sale of shares in companies that own immovable property in Cyprus. All other gains of a capital nature are not taxable.
- ✓ VAT Value Added Tax issues can be very complex for a CIF, due to the fact that some of the services offered by the CIF could be taxable, and others exempt. We will be happy to provide advice on all VAT issues.

Reporting and Compliance Requirements

Companies licensed as CIFs have ongoing reporting requirements to Cysec, and have to comply with Anti Money Laundering requirements and have a stringent *Know Your Client* procedure in place.



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Branches:

A CIF may establish a branch in the Republic of Cyprus and offer its services given that the services it provides are covered by its licence. Moreover, a CIF may provide investment and ancillary services in another country as long as it is covered by its authorisation. Note that ancillary services can be provided only in combination with investment services

Head Office

A CIF's head office must be situated in the Republic and shall be fully staffed. Any person employed by a CIF to perform any of the investment services must be a holder of a certificate obtained after having successfully taken the relevant examination of the Cyprus Ministry of Finance.

Ownership

The competent authority shall not authorize the performance of any investment services until they have been informed of the identity of the direct or indirect shareholders, legal or natural, that have qualifying holdings (10%) as well as the amounts of those qualifying holdings.

In respect to legal persons, the applicant company must provide information with regards to the identity of the natural persons that they are managed by, as well as the identity of their shareholders, reaching the beneficial owners.

It is important to clarify that no information in relation to the beneficial owner is revealed or made available to the public records of the Register of Companies.

Directors - Board of Directors

A Cyprus FX company must have at least one Executive Director, who passes a fit and proper requirement test, who is resident in Cyprus. This means that he must have an investment/financial background, has a respected reputation and has a clean criminal record. The requirement for Cyprus residency is to enable Cysec to correspond and liaise with him especially in as regards reporting as well as for clarifications and spot checks.

Furthermore, the company must have a General Manager, who is non-executive, and has no requirement to be resident in Cyprus. The requirement is that he visits Cyprus on a regular basis to oversee the functions of the company.

The role of the General Manager is mainly to oversee the Executive Director and the Board of Directors in general.



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The people to be appointed directors of the company must:

- ✓ be of sufficiently good repute;
- ✓ be sufficiently experienced;
- ✓ possess appropriate general, commercial and professional knowledge

The investment firms that offer the services that are listed below must obtain a license from CySEC.

Investment Services

A. Investment Services and Activities

The investment services and activities which are regulated by the Law and subject to the granting of a license are the following:

- Reception and transmission of orders
- Execution of orders on behalf of clients
- Dealing on own accounts
- Portfolio management
- Investment advice
- Underwriting and/or placing of financial instruments on a firm commitment basis
- Placing of financial instruments without a firm commitment basis
- Operation of Multilateral Trading Facilities ("MTF").

A CIF must apply for at least one of the above regulated services.

B. Ancillary Services

The CIF may also offer a range of the below regulated non-core activities:

- Safekeeping and administration of financial instruments
- Safe custody services
- Granting credits or loans to an investor for transaction purposes
- Advice on capital structure, industrial strategy and related matters
- Foreign exchange services
- Investments research and financial analysis
- Services related to underwriting

For more information you may contact our director Mrs. Chrysanthi Varnava.

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This publication has been prepared as a general guide and for information purposes only.