

# ALTERNATIVE INVESTMENTS FUNDS

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## ALTERNATIVE INVESTMENTS FUNDS LAW (AIF)

The Alternative Investments Funds Law of 2014 was enacted by the House of Representatives on 10/7/2014 and came into force on 18/7/2014. The new law replaces the International Collective Investment Schemes Law (ICIS) of 1999.

The new regulator of AIF is the Cyprus Securities and Exchange Commission (CySec) replacing the former regulator of ICIS, the Central Bank of Cyprus. As of 18/7/2014 all ICIs will be transferred to AIFs keeping the same structure with limited number of investors or can be converted to AIFs.

The AIF law aims to promote the funds establishment in Cyprus thus enriching the law with new possibilities to asset managers. It is worth mentioning that the changes introduced are in line with the EU directives on asset management and at the same time they give the possibility of the issuance of an EU passport.

### **Main characteristics of the AIF Law:**

- It offers umbrella structures with multiple investment components that can operate individually thus allowing the structures to have different investments policies and different assets and liabilities
- Investors can participate as co-owners in the common contractual funds. These types of funds are particularly used for pension purposes
- Possibility to make public offering of shares/units of AIFs
- Possibility of listing in stock exchange in the EU or in a third country
- In certain cases the depositary function may be undertaken by an entity other than a banking institution offering the possibility the AIFs not to operate only in financial markets but also to private equities such as real estate funds.

### **AIFs can be set up into the following two types:**

- With unlimited number of investors and refers to retail or well informed and/or professional investors
- With limited number of investors (up to 75 investors) and refers to well informed and/or professional investors

## **UNLIMITED NUMBER OF INVESTORS**

### **An AIF can take the following legal forms:**

- Common Fund
- Fixed or Variable Capital Company
- Partnership

### **The main characteristics of the type are as follows:**

- The Management of the AIF can be self-managed or appoint a management company. An Alternative Investment Fund Manager may be needed to be appointed for depending on the value of asset of each AIF.
- A Custodian is required for safekeeping and cash monitor. In cases where the assets do not require safekeeping, such as real estates, a custodian may be not required.
- An AIF with unlimited number of investors hold the right to be marketed to well informed/professional investors.
- It offers umbrella structures with multiple investment components that can operate individually thus allowing the structures to have different investments policies and different assets and liabilities.
- An AIF with unlimited investors can be listed but not traded on a recognized stock exchange of EU or other third country. Whereas an AIF marketed to retail investors may be listed and traded.
- Minimum share capital requirement is set to €125.000 or €300.000 in case of self-managed fees.
- CySec holds the right to impose investment restrictions for risk spreading and liquidity.
- The AIF with unlimited investors needs to prepare two reports yearly. The first report will include the first half year report and the second will be the annual report, both to be submitted to CySec. These reports should be notified to the investors.
- The Licensing process includes a procedure where a number of papers should be submitted for approval to CySec.

## LIMITED NUMBER OF INVESTORS

An AIF can take the following legal forms:

- Common Fund
- Fixed or Variable Capital Company
- Limited Liability Partnership

The main characteristics of the type are as follows:

- The Management of the AIF with limited number of investors can be self-managed or appoint a management company.
- An AIF with limited number of investors hold the right to be marketed to well informed/professional investors.
- It offers umbrella structures with multiple investment components that can operate individually thus allowing the structures to have different investments policies and different assets and liabilities, however the limitation on the number of investors is applicable to all investment components.
- A Custodian is not a requirement when: the total assets of the fund are less than €5 mln or the fund has up to 5 investors or not eligible assets for safekeeping.
- There is no investment policy restrictions
- The AIF with limited investors needs to prepare an annual report and needs to be submitted to CySec and to be available to the investors. Additionally, the AIF with limited number of investors should submit on a quarterly basis a report to the investors with information concerning their investment.