

### WHAT IS CIF?

A Cyprus Investment Firm (CIF) is one of the most useful tools in the European Union (and internationally) when you intend to provide and perform investment services and activities within the European Union on a professional basis on certain financial instruments.

The provision of investment and ancillary services in Cyprus is governed by the Investment Services and Activities and Regulated Markets Law 144(I)/2007 (the “Law”), which implements the relevant EU Directive in the field of Investment Services Markets in Financial Instruments Directive (MiFID) into the domestic law.

The Cyprus Securities and Exchange Commission is the competent supervisory authority to grant an authorization for the provision of the investment and non-core services specified in the said authorization.

### WHY CIF?

#### Attractive Tax Environment

- One of the lowest corporate income tax rates in the EU and Eurozone at 12,5%, while fully complying with the EU Directives and OECD requirements.
- Full exemption from tax on gains from trading in securities and on foreign dividends
- Extensive network of double tax treaties (international tax planning)
- Exemption of revenues from VAT

#### EU Passport

- An Investment Firm licensed in Cyprus can be used for the provision of investment services from Cyprus in all EU markets by simply “passporting” license in compliance with MiFID, while it can also offer investment services to third countries
- The services can be offered on a cross-border basis or by establishing a physical presence in the jurisdiction into which the services will be provided

#### Modern Regulatory Framework/ Cost Effectiveness

- Rigorous anti-money laundering laws and regulations which apply all the requirements of international standards and European Union Directives
- Has to undergo the same approval scrutiny as well as be in compliance with the same ongoing obligations as in any other European jurisdiction
- Significant cost savings

#### Multinational Presence / Strategic Geographic Location

- A significant number of multinational companies and international banking units are already operating in Cyprus. There are currently approximately 33 foreign banks with fully-fledged offices in Cyprus
- In the middle of three continents, namely Asia, Europe and Africa, and offers a gateway to the Middle East



*The CIF provides to third parties one or more investment services and/or performs one or more investment activities on a professional basis but it is not a credit institution.*

### **INVESTMENT SERVICES**

- ✓ Reception and transmission of orders in relation to one or more financial instruments
- ✓ Execution of orders on behalf of clients
- ✓ Dealing with financial instruments for own account
- ✓ Portfolio management (discretionary)
- ✓ Provision of investment advice
- ✓ Underwriting of financial instruments and / or placing of financial instruments on a firm commitment basis
- ✓ Placing of financial instruments without a firm commitment basis
- ✓ Operation of Multilateral Trading Facility (MTF)

### **ANCILLARY SERVICES**

- ✓ Safekeeping and administration of financial instruments for the accounts of clients, including custodianship and related services such as cash / collateral management
- ✓ Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- ✓ Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and purchase of undertakings
- ✓ Foreign exchange services where these are connected to the provision of investment services
- ✓ Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments
- ✓ Services related to underwriting
- ✓ Investment services and activities, as well as ancillary services where these are connected to the provision of investment or ancillary services

A CIF authorization cannot be granted for the provision of ancillary services alone.

The financial instruments that may be the subject of the investment services and activities are the following

- Transferable securities
- Money-market instruments
- Units in collective investment undertakings
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market and / or an MTF
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that can be physically settled – but not otherwise mentioned above – and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls
- Derivative instruments for the transfer of credit risk
- Financial contracts for differences (CFDs)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this list, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls

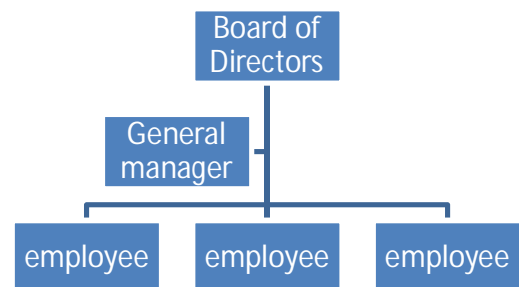


## *Organizational Structure*

Board of Directors of a CIF shall consist of:

- At least two executive Directors
- Two independent non-executive Directors

whoshall be residents of Cyprus and persons of reputation, experienced and well-known in the business community



General manager

- at least two persons who should be of sufficiently good repute and sufficiently experienced as to ensure the sound and prudent management of the CIF.
- Must have detailed knowledge of all of its activities
- Must be residents of Cyprus as in the case of the executive Directors mentioned above.

Employees

- The CIF shall operate independently from all other businesses of the group to which it possibly belongs.
- The reporting lines of the employees of the CIF shall operate within the CIF and not within the group to which the CIF possibly belongs.
- Must hold certificates of professional competency and be registered in the public register maintained by CySec in order to perform any one of the following responsibilities:

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account
4. Portfolio Management
5. Investment advice
6. Underwriting of financial instruments or/and placing of financial instruments on a firm commitment basis
7. Underwriting without firm commitment basis.



## *Authorization procedure*

The application includes:

- A Business Plan
- Internal Regulations Manual
- Risk Management and Procedures Manual regarding Money Laundering and Terrorist Financing in accordance with the Law and the Directives
- Organization Structure of the applicant showing all levels of reporting, all departments / functions, committees, third parties (if any), number of employees in each department / function, names of employees (if known)
- Memorandum and Articles of Association which must state that the company is operating as a CIF within the meaning of the Law and provides those investment and ancillary services and / or performs those investment activities
- A certified true copy of passport, an excerpt of the criminal record, certificates of non-bankruptcy, reference letters and resumes of the members of the Board of Directors, the executives and shareholders possessing a qualifying holding, as well as their answers to a questionnaire issued by CySec

*Some additional conditions set by the CySec for the granting of a license include:*

- The CIF must have minimum initial capital as set out in the section below
- The CIF must set up a Cypriot company
- The CIF must have a fully-fledged office, with employees staffed on a full-time basis as indicated on the organisation structure submitted with the application
- The CIF must also have a website
- The heads of the investment services departments must be registered in the public register maintained by CySec having passed the exams that are held by CySec
- The shareholders possessing a qualifying holding or otherwise capable of exercising an influence over the management and business strategy, must be fit to ensure the sound and prudent management of the CIF.
  - ✓ The Cysec must, within six months from the submission of a duly completed application for the granting of a CIF authorisation, reach a decision and inform the applicant for the granting of authorization or the rejection



*SHARE CAPITAL REQUIREMENTS  
AND  
APPLICATION FEES*

A CIF offering one or more of the following investment services must have minimum initial capital as shown in the following table

<b>Investment Service</b>	<b>Share Capital (EUR)</b>
Reception and transmission of orders	125.000*
Execution of orders	125.000*
Portfolio Management	125.000*
Provision of investment advice	125.000*
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

\*This figure drops to EUR 50.000 if the CIF offers such services but does not hold clients' money and / or clients' financial instruments. Otherwise, the CIF can elect to have professional indemnity insurance covering all member states or some other comparable guarantee against liability arising from professional negligence, and an insurance undertaking an amount of at least EUR 1.000.000 per claim and in aggregate at least EUR 1.500.000 per year for all claims.

The Application fee for the CIF Authorization is EUR 3.000 plus an additional fee per investment service as defined in the Legal Framework Part above:

- EUR 1.000 per service for investment services numbered 1, 5 and 7
- EUR 1.500 per service for investment services numbered 2 and 4
- EUR 2.000 per service for investment services numbered 3 and 6 and
- EUR 500 per each ancillary service.

The Application fee for the conduction of any other business, beyond the services and/or activities stated in the CIF authorization, is €300 per requested business.



## *OUR SERVICES*

### Our services include:

- The preparation of the application for obtaining the authorization from the Cyprus Securities and Exchange Commission
- The development of an appropriate corporate and organizational structure
- The preparation of the business plan
- The preparation of the policies and procedures manual, including the internal regulation for internal control and risk management mechanisms and measures for the prevention of the legalization of the proceeds of criminal activities
- The provision of Money Laundering and Compliance Officers
- The provision of non-executive Members of the Board of Directors
- Complete / review necessary application forms / questionnaires of the shareholders / directors / heads of departments
- The preparation and submission of written requests for Tax and VAT rulings to the Cypriot Authorities regarding the operations of a CIF

### **Disclaimer**

The above information is only a brief description of the provisions of the relevant Law which in no way is exhaustive and further professional advice should be sought for each particular case. Our firm does not accept any responsibility for any loss or damage occurring by acting on the basis of this information.



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