

CYPRUS INVESTMENT FIRMS

July 11, 2016

Firms intending to provide investment services/activities on a professional basis in Cyprus, shall be authorised from the Cyprus Securities and Exchange Commission (CySec) which is the independent public supervisory authority responsible for the supervision of the investment services market and transactions in transferable securities carried out in the Republic of Cyprus.

A.I.Kitsios LLC will assist you in any matter with regard to the establishment of a Cyprus Investment Firm, including:

- a. The incorporation and management of the company;
- b. The preparation and the submission of an application and other documentation required to obtain investment firm licence from CySec; and
- c. Advice in relation to the continuing legal obligations of a CIF.

INVESTMENT SERVICES/ACTIVITIES

Investment services and activities according to the law, include the following services and activities in relation to any of the financial instruments listed below.

Investment Services and Activities

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 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 Facility ('MTF').

Financial instruments

1. Transferable securities.
2. Money-market instruments.
3. Units in collective investment undertakings.
4. 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.
5. 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).

6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF.
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in the previous paragraph (6) 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 recognised clearing houses or are subject to regular margin calls.
8. Derivative instruments for the transfer of credit risk.
9. Financial contracts for differences.
10. 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 the preceding paragraphs (under the Financial Instruments title), 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.

APPLICATION TO OBTAIN LICENCE

- Application is made to CySec.
- CySec may at any time at the assessment of the application request for further details and documents that accompany the application, as well as any other relevant material or detail.
- CySec must reach a decision within 6 months from the submission of the application provided the application is duly completed.
- With regard to the initial capital, when the assessment of the application reaches the final stage, the applicant will be asked to provide a confirmation by credit institution(s) that the entire capital required is blocked in a bank account held by the aforementioned institution(s), and that it will remain blocked until the CIF authorisation is granted.
- Application fees depend on the investment services and activities of the CIF.

AUTHORISATION REQUIREMENTS

A. Initial Capital Requirements

The initial capital requirement is € 730.000 unless the CIF falls within one of the following categories:

1. A CIF that does not deal in any financial instruments for its own account or underwrite issues of financial instruments on commitment basis but which holds client money or securities, and offers one of the following services,

- (a) the reception and transmission of investors' orders for financial instruments;
- (b) the execution of investors' orders for financial instruments;
- (c) the management of individual portfolios of investments in financial instruments,

shall have initial capital of € 125.000.

2. The CIF referred to in the previous paragraph, may have initial capital of € 50.000 if it is not authorised to hold client money or securities, to deal for its own account, or to underwrite issues or on a firm commitment basis.

3. CIFs that provide the reception and transmission of orders in relation to one or more financial instruments, the execution of orders on behalf of clients, portfolio management and investment advice but which are,
 - a. Not authorised to provide the services of safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management; and
 - b. Not permitted to hold money or securities belonging to their clients and which for that reason may not at any time place themselves in debt with those clients,

shall have either:

- a. initial capital of € 50.000, or,
- b. professional indemnity insurance covering the whole of the European Union or some other comparable guarantee against liability arising from professional negligence, representing at least € 1.000.000 applying to each claim, and in aggregate € 1.500.000 per annum for all claims, or,
- c. combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to in the previous two paragraphs ('a' and 'b').

(Article 4(1)(2)(c), EU Regulation No 575/2013).

4. A CIF referred to in paragraph 3 above, which is also registered under the Insurance Services and other Related Issues Law, shall have either:
 - a. initial capital of twenty five thousand euro (€25.000); or,
 - b. professional indemnity insurance covering the whole territory of the Union or some other comparable guarantee against liability arising from professional negligence, representing at least five hundred thousand euro (€500.000) applying to each claim, and in aggregate seven hundred and fifty thousand (€750.000) per annum for all claims; or,
 - c. a combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to in the previous two paragraphs, 'a' and 'b'.

B. Management

Members of the board of directors (BofD) shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

The members of the BofD shall fulfill the following requirements:

- a. All members of the BofD shall commit sufficient time to perform their functions in the CIF.
- b. The BofD shall consist of at least two executive and two non-executive directors.
- c. The BofD shall collectively possess adequate knowledge, skills and experience to be able to understand the CIF's activities, including the principal risks.
- d. Each member of the board of directors shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.

C. CIF shareholders

Authorisation for a CIF will not be granted until CySec has been informed of the identities of the shareholders, whether direct or indirect, irrespective if they are natural or legal persons, that have qualifying holdings.

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

D. Head office

Head office must be situated in the Republic of Cyprus.

E. Investor Compensation Fund

The applicant must be a Member of the Investor Compensation Fund.



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