



Michalis Avraam
& Partners Limited
AUDITORS AND BUSINESS ADVISORS

Investment Firms



Investment Firms

Cyprus's legal framework, its high-end service industry infrastructure along with its favourable tax system and low service administration costs, all add up to transform Cyprus into a very attractive jurisdiction for establishing an Investment Firm offering investors and businesses a single passport to provide investment services across Europe.

Legal Background

The provision of investment and ancillary services in Cyprus is regulated by Law 144(I)/2007 - "The provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters".

This law came into force on 1st November 2007 implementing the provisions of the Markets in Financial Instruments Directive "MiFID" into the domestic law.

Entities that can provide investment services or perform investment activities on a professional basis

- CIFs authorised under the Law
- Member state Investment Firms
- Third country Investment Firms through a branch provided a license has been granted by CySEC
- Banks
- Cooperative credit institutions

Investment and Ancillary Services

Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- 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

Ancillary Services:

- Safekeeping and administration of financial instruments for the account 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 the 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 related to the underlying of certain derivatives



Outside the scope of application of the Law

Below is a list of the main exceptions where a license for a CIF is not required for the provision of the above services. In order to determine whether a CIF license is required each case must be assessed individually according to the provisions of the Law.

- Members of the European System of Central Banks and other national bodies performing similar functions
- Insurance undertakings
- Undertakings for collective investment in transferable securities (UCITS)
- Persons which provide investment services exclusively for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings
- Persons which provide investment services consisting exclusively in the administration of employee-participation schemes
- Persons who do not provide any investment services or activities other than dealing on own account
- Persons providing investment advice in the course of providing another professional activity not governed by the Law, provided that the provision of such advice is not specifically remunerated
- Persons whose main business consists of dealing on own account in commodities and/or commodity derivatives

Duration to receive CIF license

The relevant Cyprus regulatory authority which in this case is Cyprus Securities and Exchange Commission ("CySEC") must reach a decision and inform the applicant for the granting of CIF license or the rejection of the application within six months from the submission of a duly completed application.

During this six month period CySEC may request additional information or clarifications regarding the application submitted.

Key Benefits of obtaining a CIF license

1. Single Passport

MiFID allows Investment Firms to operate throughout the EU on the basis of authorisation in their home member state ("single passport"), enabling providers of investment services to offer their services in other markets in other EU member states.

As a result, an Investment Firm that was granted license by CySEC may offer the services for which it was granted license in any other member state without authorisation by the other country's supervisory authority.

The provision of services in other member states may be provided either through the establishment of a branch, or without establishment through the free provision of services or performance of activities.

2. Tax Benefits

- Lowest income tax rate in EU – 12,5%
- Gains on the disposal of securities not subject to taxation
- Dividends received not taxable in Cyprus (in majority of cases)
- Advantageous provisions under an extensive network of Double Tax Treaties concluded by Cyprus
- Provisions of EU Parent/Subsidiary Directive can be enjoyed
- Unilateral tax credit relief available under Cyprus tax legislation
- Not subject to exchange controls

3. Costs

Substantially low set-up and operational costs of providing services in Cyprus in relation to other EU countries (e.g. office space, staffing, professional services providers, etc).



Michalis Avraam & Partners Limited has taken all reasonable care to ensure that this leaflet is accurate. The information contained is designed as a general guide and readers are advised to verify this information to ensure that it applies in their particular circumstances.

Our firm's professional staff can advice/assist you throughout the application process for the granting of a Cyprus Investment Firm license.

Services to be provided include:

- Advice on the set-up of the company with regards to organisational structure, staffing, locating qualified executive/non-executive Directors
- Prepare or assist in the preparation of the application package to be submitted to Cyprus Securities and Exchange Commission (CySEC)
- Prepare or assist in the preparation of internal procedures manual, internal audit manual, money laundering procedures, organisation structure, business plan, etc
- Support in connection with follow up questions from CySEC following the examination of the application package

For specialist advice or further clarifications you may contact one of our professional consultants.

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