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**CYPRUS INVESTMENT FIRMS (CIFs)**

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## 1. INITIAL CAPITAL

The initial capital requirements will vary depending on the specific services and operations of the CIF in question.

- A. A CIF which does not deal in any financial instruments for its own account or underwrite issues of financial instruments on a firm commitment basis and offers one or more 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, must have an initial capital of:
    - **€125,000** (if it is authorized to hold client money), or;
    - **€50,000** (if it is not authorized to hold client money). Coverage for CIFs falling in this category may also take the form of professional indemnity insurance covering the whole territory 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 a combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to above.
- B. A CIF which is other than those referred to in point A above, shall have initial capital of:
- EUR 730,000

## 2. SHAREHOLDERS

Shareholders must be fit and proper to be shareholders of an investment firm and must be approved by the Cyprus Securities & Exchange Commission (“CySEC”).

For natural persons, CySEC may request (in addition to the standard personal questionnaires, CVs, criminal & non bankruptcy certificates etc.) a statement of assets and liabilities and require the shareholder to attend a personal interview.

For legal persons, CySEC may request all company/group information and financials for the previous years.

The more layers are added to the shareholding structure, the more information CySEC will request until it reaches the ultimate beneficial owners.

## 3. DIRECTORS

Four directors are required, of which two must be executive. One executive director must be a Cyprus resident. Such person will be considered the main person managing the business of the CIF under full time employment and will be representing the CIF and be answerable to CySEC.



All directors must be fit and proper to hold office and must be approved by CySEC. Their reputation, their professional experience and knowledge in the investment services and investments activities with which the CIF is involved will be taken into account by CySEC.

#### **4. SENIOR OFFICERS**

A Compliance Officer, an Internal Auditor and a Risk Manager, reporting to the board of directors, must be appointed. The Risk Management and Compliance functions may be performed by the same person without necessarily jeopardising the independent functioning of each function. An Anti-Money Laundering Compliance Officer is also required. CySEC will assess whether such officers are fit and proper to assume their respective roles.

All other senior officers and/or managers of the CIF must be approved.

The managers of the departments offering the investment service for which the license is granted must hold the relevant certifications by CySEC, which will be granted provided the manager is successful in passing the relevant CySEC exams.

#### **5. PHYSICAL PRESENCE**

A CIF must have operational physical presence in Cyprus. This means that it will need to maintain fully staffed offices with the majority of staff being Cyprus residents. The operations and the provision of investment services must be done from Cyprus. All client agreements, records and documents, as well as all IT systems must be physically located in Cyprus (unless outsourcing arrangements are made).

#### **6. WEBSITE**

A CIF must maintain a website which must contain at least its legal name, license number, description of investment services offered, a reference that it is a regulated entity and contact details. A CIF can be held liable for a fine if such information is not disclosed on its website.

#### **7. INVESTOR COMPENSATION FUNDS**

CIFs must participate in the Investor Compensation Funds for Clients of Investment Firms.

They must notify to their clients, before concluding an agreement with them, the investor compensation scheme in which they participate, the level of compensation paid, the conditions and the procedure for submitting applications for compensation, as well as any other form of equivalent protection that they provide to their clients.

#### **8. CLIENT CATEGORISATION**

CIFs must categorize their clients according to the provisions of the applicable law and must perform suitability and appropriateness checks.

#### **9. POLICIES & PROCEDURES**

A CIF must have in place an Internal Operations Manual, an Anti-Money Laundering Compliance Policy, a Business Continuity Policy, a Conflicts of Interest Policy, a Best Execution Policy (if applicable) and established procedures for complaints handling.



## 10. RECORD KEEPING

The records kept in accordance with this subsection shall be provided to the client involved upon request and shall be kept for a period of five years and, where requested by the Commission, for a period of up to seven years.

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