

January, 2023

## **Cyprus Regime: Registered Alternative Investment Funds – RAIF**

### **INTRODUCTION**

Cyprus steps into a more modernized investment fund legislative regime enacted by the Law 124(I)/2018 as approved by the Parliament on 10.7.2018 and came into force on 31.7.2018 known as the **Registered Alternative Investment Funds (RAIF)**.

The introduction of RAIFs results to the ease of the procedures to set up a fund by eliminating the need for lengthy authorisation and licensing procedures by CySEC; In accordance, to the law it is not required for a RAIF to hold a CYSEC license nor is regulated by CYSEC.

Further to that, and for information purposes, an AIF may also operate as a RAIF as long as it registered in the special Register (RAIF Register) maintained by CYSEC.

### **LEGAL FORMS OF A RAIF**

Taken into consideration, the legal forms of a RAIF it may be understood the following:

- The registration and operation of a RAIF does not require prior authorization from CYSEC.
- A RAIF in Cyprus will not be regulated by CYSEC but will be instead under the supervision of the appointed external fund manager.
- May be structured either as common fund, an investment company with variable or fixed capital or as a limited partnership;
- May be open-ended or closed-ended;
- Is allowed to be set up as an umbrella fund, allowing the setup of multiple investment compartments ("sub-funds")
- No minimum capital requirements
- There are no investment restrictions except of Money Market funds or Loan Origination Funds;
- A RAIF may have an unlimited number of investors;
- Exclusively addressed to professionals/well informed investors
- A RAIF must invest at least €500,000 or currency equivalent to be reached within the first 12 months.
- It may be common fund or a Limited partnership
- A RAIF may be also a Fixed Capital Investment Company (FCIC) or it may be a Variable Capital Investment Company (VCIC)



### **ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)**

A licensed Alternative Investment Fund Manager (AIFM) will have to supervise the RAIF and provide certain mandatory services (risk management, compliance, internal compliance and audit). The AIFM can only be managed externally in Cyprus or in another EU Member States. A AIFM can also provide services such as portfolio management, risk management, oversight of depositary and all outsourced functions and the management of regulatory & internal reporting obligations.

### **FUND ADMINISTRATOR**

The appointed fund administrator will have to take care of day-to-day middle and back office functions, providing support as regards to the performance and mechanics of the fund.

Out of the many others, such tasks would be the following:

- Maintenance of fund books and records, fund accounting and calculation of Net Asset Value for the Fund and each compartment (if relevant) on each relevant valuation day
- Handling of subscriptions, redemptions, transfers or switches of shares
- Anti-Money-Laundering processing for all shareholders
- Issuance of investment holding statements and contract notes to investors
- Maintenance of share register for the fund and each compartment
- Monitor the receipt of subscription monies and calculation of any relevant charges in accordance with prospectus
- Issue share certificates where applicable
- Calculation of management fees, performance fees and other charges in accordance with the prospectus

### **FUND AUDITORS**

A licensed (by the ICPAC) audit and accounting firm will have to be appointed as the fund's auditor. The fund auditor will have the task to provide reports and financial statements taking care of the preparation of annual audited financial statements, the submission of Income Tax Return for the year and the reporting of financial statements to CySEC, if and where applicable.

### **LEGAL ADVISORS**

E&G Economides LLC ([www.economideslegal.com](http://www.economideslegal.com)) will be happy to be appointed as the fund's Legal Advisor. E&G Economides LLC will also undertake the set-up of the fund.

### **FUND CUSTODIAN**

A RAIF must appoint a local Depositary which may be a financial institution in Cyprus or a Cyprus Investment Firm.

### **Cash Monitoring**

- Operation of cash accounts of the subfund(s)
- Performing reconciliation on all cash flow movements on a frequency representative to the Fund's activity.



- Monitoring of cash held at Bank of Cyprus, and in third party banks if any.
- Review of subscriptions and redemptions in the Fund and review of AML/KYC information for investors above 10% of assets/NAV,
- Review of incoming and outgoing payments with appropriate backup related to Fund's activity and from a KYC/AML point of view.
- We shall carry out a monthly review of the cash flow movements at the SPV levels to identify significant cash flows

### **Safekeeping**

- For financial instruments held in custody, these will be registered in the name of the Depository in a financial instruments account opened in the Depository's books and contain all financial instruments that can be physically delivered to the Depository. Services performed for these instruments include, settlement /clearing, safekeeping, reporting, corporate actions processing.
- For Other Assets, such as SPVs, real estate property and not listed entities, the Depository shall verify the ownership of the AIF in the Other Assets and shall maintain a record of the Other Assets for which it is satisfied that the Fund holds the ownership of such assets, on a look through basis, on a semi annually basis, as per our duties as Depository, i.e. at the SPV level as well as on any entities/assets below them, until we reach the level which is considered the investment, such as each title deed of real estate property.

### **ANTI – MONEY LAUNDERING OFFICER**

In reference to the Anti- Money Laundering Officer, the Fund will have to appoint the AIFMs' acting as a compliance officer, who is responsible for ensuring the Fund's adherence to the Anti-Money Laundering and funding of terrorism obligations imposed under Cyprus Law.

### **TAX PURPOSES**

A RAIF is subject to 12.5% of corporate Tax based on the net profits results and does not have any charges on taxes, which relate to the net assets of the Fund. As per the provisions of the Cyprus Tax Legislation in reference to the redemption of units subject to RAIF, no tax is applied.

### **SET – UP OF A RAIF FUND**

In order to set- up a RAIF even though it is not regulated by CYSEC, a form needs to be completed and submitted to CYSEC by the AIFM within 1 month of the set-up of the RAIF. RAIF is authorized and registered to the RAIF Register that CYSEC upholds along with all supporting documents.

### **HOW WE CAN ASSIST**

To conclude, the establishment of the RAIF and its operation but also the amendments from the Alternative Investment Funds Law 2018 (AIF Law) together with the Alternative Investment Fund Managers Law 2013 (AIFM Law) result to a more affordable way and time efficient in regards to the development of the Cypriot fund industry.



The purpose of this legal briefing is to provide a general guideline on the subject and not to be considered, in any way, as legal advice. It is advisable to seek professional and legal advice on this subject before proceeding with any general information provided to you. For further clarifications and advice please contact us at [legal@economideslegal.com](mailto:legal@economideslegal.com).

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