

Changes to the law governing Alternative Investment Funds in Cyprus.

An Alternative Investment Fund (AIF) is defined as an investment that is not one of the three traditional asset types (stocks, bonds and cash). These include hedge funds, managed futures, real estate funds, commodities and infrastructure funds, amongst others. Investment funds are often considered to be an attractive investment tool as an alternative to borrowing.

To date, the legislative framework for investment, non-UCITS* funds in Cyprus is the Law of International Collective Investment Schemes of 1999 (ICIS Law).

In February 2013 the Cyprus Securities and Exchange Commission (CySEC) circulated the proposed draft law on AIFs which will, once enacted, repeal the International Collective Investment Schemes (ICIS) Law in its entirety and replace the ICIS framework currently in place.

According to Angelos Gregoriades, President of the Cyprus Investment Funds Association (CIFA), the proposed legislation anticipated to go into force by the end of this year will “modernise the regulatory aspects of AIFs in Cyprus while also expanding the options available for fund promoters. It will bring Cyprus up to par with other EU investment fund jurisdictions. Specifically, the proposed legislation:

1. Introduces the ability to set up AIFs that are marketed to Retail Investors as well as AIFs with multiple investment compartments (i.e. Umbrella Funds), which were significant limitations in the current ICIS regime.
2. Provides the ability to set up an AIF taking the contractual form of a Common Fund, a form which is quite popular in the jurisdictions of Luxembourg and Ireland.
3. Provide the ability to set up an AIF marketed to Professional Investors and/or Well-Informed Investors; this type of AIF is comparable to the Specialised Investment Funds of Luxembourg, the Qualifying Investor Funds of Ireland and the Professional Investor Funds of Malta. The law is expected to come into force in the coming months, and it is hoped that Cyprus will become a strong and competitive funds jurisdictions.”

CySEC together with the Central Bank currently hold regulatory power of the investment funds sector in Cyprus. This responsibility will however soon be shifted to be brought under the

supervision of CySEC only, as is the case in other EU Member States. It is anticipated that this move will unify a wide range of regulatory activities, including asset management, investment services and collective investment schemes; and will ensure smoother and more efficient supervision of all investment funds and fund managers.

* Undertakings For The Collective Investment Of Transferable Securities

Sources: [Cyprus Profile](#) and [CIFA](#) (Cyprus Investment Fund Association)