



Cyprus Investment Firms under MiFID

Providing Financial Services from the most tax-efficient regime in the EU

Anastasios Antoniou LLC is a boutique Cyprus law firm advising on all aspects of Cyprus Law, EU Law and International Law with an expert focus on competition law, commercial and corporate law, investment funds and financial services law, IP and energy law.

What sets our Firm apart is its commitment to the provision of comprehensive legal solutions to contemporary legal challenges in a clear, reliable and unequivocal manner.

Anastasios Antoniou LLC is a Member Firm of **EUROJURIS**, the leading network of law firms in Europe, covering more than 40 countries worldwide.

Email us to discuss your Investment Funds ideas and requirements at investment@antoniou.com.cy



Anastasios Antoniou LLC's Corporate Practice has been selected as the **Recommended Firm for Corporate Law in Cyprus** by Global Law Experts in 2010

MiFID

The Markets in Financial Instruments Directive (“MiFID”) is the legal instrument adopted by the European Union (“EU”) to facilitate a harmonized regulation over investment services across its Member States. The main objectives of the Directive are to increase competition and consumer protection in investment services aiming, via MiFID, to facilitate the integration of Europe’s financial markets.

The MiFID Level 1 Directive 2004/39/EC, implemented through the standard co-decision procedure of the Council of the EU and the European Parliament, sets out a detailed framework for the legislation. Twenty articles of this directive specified technical implementation measures (Level 2). These measures were adopted by the European Commission, based on technical advice from the Committee of European Securities Regulators and negotiations in the European Securities Committee with oversight by the European Parliament. Implementation measures in the form of a Commission Directive and Commission Regulation, were officially published on 2 September 2006.

“...Cyprus is fully compliant with MiFID, through the enactment of the Investment Services and Activities and Regulated Markets Law 144(I) of 2007 (“the Law”), the national legal instrument transposing the provisions of MiFID into the Cypriot legal order.”

As of November 2007, Cyprus is fully compliant with MiFID, through the enactment of the Investment Services and Activities and Regulated Markets Law 144(I) of 2007 (“the Law”), the national legal instrument transposing the provisions of MiFID into the Cypriot legal order. Terms such as “investment services”, “investment activities”, “regulated market”, “stock exchange”, financial services, “stock broking services”, broker or any other similar words in any language may not be used by anyone unless he is licensed according to the provisions of this law. Pursuant to section 4(2) of the Law persons entitled to provide investment services are (a) Cyprus investment firms authorised to operate as such under s. 6(2) of the Law, (b) investment firms of EU Member States pursuant to s.s. 77(1) and 80(1) and (c) Third Country investment firms under s.78(1) and banks under s.118.

Accordingly, an Investment Firm licensed in Cyprus, can be used as a base for the provision of investment services from Cyprus in all EU markets by simply by passporting its license while a CIF can

also offer investment services to third countries. The services can be offered on a cross-border basis or by establishing a physical presence in the jurisdiction into which the services will be provided.

The regulatory body competent to regulate and licence the provision of investment services under the Law is the **Cyprus Securities and Exchange Commission (CySEC)**.

Investment Services subject to authorization by CySEC consist of the following 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 (non-core) Services subject to authorization by CySEC consist of the following services(it should be noted that no licence can be granted for the provision of non-core services alone):

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management;
- Grant 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;
- Provide advice to undertakings or capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- Provide 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;
- Safe custody services.

CySEC

CySEC is the regulatory body competent to regulate and licence the provision of investment services under the Law.

CySEC has the following responsibilities:

“CySEC is the regulatory body competent to regulate and licence the provision of investment services under the Law”

1. To supervise and control the operation of the Stock Exchange and the transactions carried out in the Stock Exchange;
2. To supervise and control the issuers of securities listed on the Stock Exchange, the Licensed Investment Services Companies as well as the Collective Investment Schemes;
3. To carry out inspections over companies, the securities of which are listed on the Stock Exchange, over brokers and brokerage firms, investment consultants, mutual fund management companies;
4. To request and collect information necessary for the exercise of its responsibilities, to demand in writing the provision of information from all natural or legal persons or organisations that are considered to be in a position to provide such information;
5. To grant operation licences to investment firms, including investment consultants, brokerage firms and brokers;
6. To recall these operation licences for special reasons, as it is more specifically determined in Regulations that are published in accordance with the Law of Establishment of the Cyprus Securities and Exchange Commission;
7. To impose administrative sanctions and disciplinary penalties to brokers, brokerage firms, investment consultants as well as to in any other legal or natural person whom fall under the provisions of the Stock Market legislation.

Cyprus Investment Firms

Cyprus Investment Firms (CIF) are companies established in Cyprus and licensed by CySEC to provide one or more investment services to third parties or/and perform one or more investment activities pursuant to the law.

LEGAL REQUIREMENTS

Shareholding

There must be a clear shareholding structure. Shareholders of a CIF must be fit to be shareholders of a CIF and must be approved by CySEC. CySEC requests for natural persons, in addition to the standard qualifications included in a CV, a statement of assets and liabilities as well as to attend a personal interview. For legal entities or groups all relevant information and financial statements for at least 3 years must be submitted to CySEC.

Management

The Board of Directors structure requirement must also be fulfilled properly in order to obtain the licence. Namely, the Board of Directors being the main body responsible for the CIF must be constituted of at least: 2 Executive directors (the one of which, being the main person managing the CIF and answerable to CySEC, must be a Cyprus resident) and 2 independent non-executive directors. Inevitably, to come under the favourable corporate tax regime of Cyprus, the majority of shareholders should be Cypriots.

Initial Share Capital

A CIF that provides one or more of the following investment services and holds clients' money or/and clients' financial instruments, must have an initial capital of at least €200.000:

1. Reception and transmission of orders in relation to one or more financial instruments;
2. Execution of orders on behalf of clients;
3. Portfolio management;
4. Provision of investment advice.

Our Services

“our specialized legal services allow a smooth formation, licensing, operation and ongoing compliance of Investment Firms, including FOREX entities”

ANASTASIOS ANTONIOU LLC, a leading Cyprus Law Firm, renders all legal and administrative services towards the formation, licensing, operation and compliance of a Cyprus Investment Firm.

Formation

We provide legal services towards the establishment of Investment Firms and satisfying the stringent legislative framework relating to their formation. Our Firm can help you address these requirements in a seamless way and establish a legally sound financial services entity in the market. The provision of our professional, highly-qualified non-executive directors that are approved by CySEC is also offered at the most competitive rates (*please note that for a CIF to become subject to the beneficial tax regime of Cyprus, its management and control must be evidenced to be in Cyprus*).

Operation

We attach great importance to our post-formation legal services and provide legal support to the operation of Cyprus Investment Firms we establish. Continuous legal support is required in terms of an Investment Firm’s operation, including, amongst other matters, maintaining its operational standards, ensuring the most beneficial terms of carrying out its business, from both tax and commercial perspectives, and enabling it to navigate itself in the market profitably and viably.

Compliance

An Investment Firm’s conduct and practices must at all times be compliant with the applicable legislation. The highly complex nature of MiFID and the national implementing legislation, as well as the secondary legislation issued in the form of Directives by CySEC, necessitate constant specialized legal support. Monetary fines are provided under the law for breach of the obligations an Investment Firm license imposes and our legal services ensure that compliance with the regulatory environment is maintained at all times.

Contact us at investment@antoniou.com.cy to discuss your Investment Services requirements.