
ΠΡΟΣ	: Managers of International Collective Investment Schemes
ΑΠΟ	: Securities and Exchange Commission
ΗΜΕΡΟΜΗΝΙΑ	: 22 October 2014
ΑΡ. ΕΓΚΥΚΛΙΟΥ	: CI131-2014-30
ΑΡ. ΦΑΚΕΛΟΥ	: Ε.Κ. 6.1.14
ΘΕΜΑ	: Compliance of the International Collective Investment Schemes with the Alternative Investment Funds Law of 2014

Following the announcement of the Cyprus Securities and Exchange Commission ("the Commission") dated 21st October 2014 regarding the publication of Directives DI131-2004-01 και DI131-2014-02, in accordance with the Alternative Investment Funds Law of 2014 (the 'Law'), the Commission issues this circular which aims to regulate the procedure regarding the transition of the existing International Collective Investment Schemes ("the ICIS") under its supervision.

It is reminded that the Law regulates the establishment and operation of Alternative Investment Funds (AIFs) in the Republic of Cyprus and replaces the International Collective Investment Schemes Law of 1999 and 2000 (the 'ICIS Laws').

According to Section 120(1) of the Law:

- (a) Existing ICIS, which wish to continue operating as Alternative Investment Funds with limited number of persons are obliged to comply with Sections 114 to 118 of the Law and submit to the Commission the necessary information for authorisation as an AIF with limited number of persons. In this case, the existing ICIS will continue to operate under the authorization granted by the Central Bank of Cyprus, without requiring a new authorisation from the Commission (**Category A**).
- (b) Existing ICIS, which wish to be converted in Alternative Investment Funds ('AIFs') in accordance with Section 4 of the Law, are obliged to submit an application for authorisation to the Commission, based on the provisions of the Law and the Commission's Directive DI131-2014-01 (**Category B**).
- (c) Existing ICIS, which wish to be converted in Alternative Investment Fund Managers (AIFMs) in accordance with the provisions of the Alternative Investment Fund Managers Law of 2013 (the 'AIFM Law'), are obliged to submit to the Commission an application for authorisation in accordance with the AIFM Law and the Commission's Directive DI56-2013-01 (**Category C**).

The deadline that is specified by the Law for the above mentioned actions expires on the 25th of November 2014.

It is clarified that the aforementioned deadline applies only for the submission of the application of the ICIS and does not affect the Commission's ability to ask for further clarification and information during the evaluation of the relevant notifications or applications.

Referring to the information that should be submitted for each of the above categories and the examination procedure that will be conducted by the Commission, the following are specified:

Category A

The ICIS which wish to continue their operations as AIFs with limited number of persons are obliged to submit to the Commission, for registration purposes, the following forms of the Directive DI131-2014-02, duly completed:

1. *F131-2014-01*.
2. *E131-2014-03*
3. The accompanying documents¹ of the application referred in Type I and, if applicable,
4. The documents referred to the supplementary forms E131-2014-01S1 and E131-2014-01S2 of Annexes I and II`
5. A certification, signed by the applicant's Board of Directors or its Manager, that the submitted documents, apart from the instruments of incorporation which will be amended, have been already approved by the Central Bank of Cyprus and that there have been no changes after their approval regarding their organizational structure and investment policy (there is no specific wording)`
6. A certification, signed by the applicant's Board of Directors or its Manager, that the current investors fall into the category of professional and/or well informed investors as defined in the Law (there is no specific wording)`
7. The completed checklists that are attached as Annexes I and II to the present Circular`
8. The examination fee will be determined in a Commission's Directive that will be published soon. The fee will be set at €500.
9. The relevant recognition letter as an ICIS from the Central Bank.

The drafts of the instruments of incorporation documents and the Offering Memorandum which the applicant should submit as Annexes I and II according to Type I of the form E131-2014-01-2014 of the Directive DI131-2014-02, should include, the information referred in paragraphs 6 and 7 of the Directive DI131-2014-02, respectively. Please note that in order to facilitate the applicants; the checklists with the relevant information are attached to this Circular as Annexes I and II.

The Commission will proceed with the examination of the draft instruments of incorporation documents and the Offering Memorandum, in order to determine the compliance of the applicant with the provisions of Section 114 of the Law. The Commission will inform the applicant via a letter, whether the content of the draft Instruments of incorporation includes the information required by the Law and the Directive DI131-2014-02, in order to proceed with the relevant amendments.

¹ In the case that it is necessary to submit certifications by competent authorities where their issue requires a long time, these can be submitted at a later stage, provided that a certification/evidence that have been requested by the relevant authority has been submitted to the Commission.

When the Commission receives the certifications referred in points (5) and (6) above, will not proceed to any further examination of the application file, at this stage, but will concentrate to the content of the draft instruments of incorporation and the Offering Memorandum.

It is noted that the ICIS may continue to operate under the authorization received, without having to obtain an authorisation by the Commission, but they are not allowed to market their shares before receiving the written notification by the Commission that they meet the necessary conditions to operate as Alternative Investment Funds with a limited number of persons.

The notification will be issued only if the following information, regarding the instruments of incorporation, is submitted to the Commission:

1. The special resolution of the General Meeting to amend the instruments of incorporation;
2. Written proof for the submission of the resolution and the amended Instruments of incorporation to the Registrar of companies.

Category B

The existing ICIS, which wish to be converted to AIFs, shall submit an application in accordance with Section 12 of the Law and the Commission's Directive DI131-2014-01. Therefore, they shall submit the following forms duly completed and the accompanying documents of the application referred in Type I of the form E131-2014-02 of the Directive DI131-2014-01:

1. E131-2014-02·
2. E131-2014-04·
3. E131-2014-02S1·
4. E131-2014-02S2·

The examination fee will be determined in a Commission's Directive that will be published soon in the Official Journal of the Republic.

In this case, the Commission shall proceed to a full examination of the application file and will grant authorisation to the AIF in accordance with Section 13 of the Law only if it is satisfied that the applicant complies with the conditions set for granting authorisation as specified in the Law.

The applying ICIS, will continue to legally operate until they receive Commission's decision regarding their application, nevertheless, it is noted that they should not start to operate as AIFs before obtaining the Commission's authorisation in accordance with Section 13 of the Law since they fall under the provisions of Section 12 of the Law.

Category C

The ICIS which wish to be authorised as Alternative Investment Fund Managers in accordance with Section 8 of the AIFM Law, the provisions of paragraph (c) above apply.

The Commission shall proceed to a full examination of the application file in order to determine the applicants' compliance with the provisions of the AIFM Law before proceeding to grant authorisation in accordance with Section 8 of the AIFM Law.

The applying ICIS will continue to legally operate until they receive the Commission's decision regarding their application. It is noted that they should not start operating as AIFMs before obtaining the Commission's authorisation in accordance with Section 6(2) of the AIFM Law.

It is noted that the ICIS that have been recognised by the Central Bank will continue to be under its supervision, until they submit to the Commission the above mentioned documents, the latest by November 25, 2014 the date that it is set by Section 120 of the Law as the last day of submission.

In the case of non-compliance with the procedure referred in subsection (1) of [article Section 120](#), the attention it is drawn to the provisions of subsection (2) of the same Section which will then apply.

Category D

Regarding the applications that were pending at the Central Bank and have been transferred to the Commission in accordance with Section 120(7) of the Law, they shall only submit the draft instruments of incorporation and the Offering Memorandum accompanied by the checklists referred to in paragraph (7) above.

The Commission will proceed with the examination of these applications and will contact the interested parties for any further actions.

Finally please note that applications will be examined in accordance with the date of their submission (first in first served).

Yours Sincerely,

Demetra Kalogerou
Chairman of the Cyprus Securities and Exchange Commission

Annex I
Checklist – Content of the instruments of incorporation of an AIF with limited number of persons
(Paragraph 6 of the Directive DI131-2014-02)

Legal framework	Content of the statutory documents of the investment company, according to Section 115(1)(a) of the Act	Reference	For Official Use
Section 56(1) of the Law	<p>The instruments of incorporation of an investment company are prepared by:</p> <p>(a) the investment company, in case it is self-managed; or</p> <p>(b) the external manager, in case an external manager is appointed.</p>	<p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p>
DI131-2014-02 (paragraph 6)	<p>In addition to the required information based on Companies Law, should at least contain the following:</p> <p>(a) the legal form of the AIF with limited number of persons and, where applicable, the name of its manager and the depositary; where a depositary is not appointed, a reference to this fact;</p> <p>(b) the objective of the AIF with limited number of persons, from which the investment objective and its investment policy are resulted;</p> <p>(c) the category of the investors to which the AIF with limited number of persons it addresses, the maximum number of its unit-holders and the measures and procedures which shall ensure the compliance with the restriction regarding the maximum number of its unit-holders;</p> <p>(d) The duration of the AIF with limited number of persons or reference that its duration is indefinite;</p> <p>(e) the initial capital the AIF with limited number of persons, the valuation method of its assets and the rules for the calculation of its net asset value, of the issue and redemption or repurchase price and the way of disclosing these prices to the investors of the AIF with limited number of persons;</p> <p>(f) the conditions of the issue, marketing, cancellation and redemption or repurchase of units, and the conditions under which the redemption or repurchase of the units may be suspended;</p> <p>(g) the duration of its financial year and its closing date;</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>

Legal framework	Content of the statutory documents of the investment company, according to Section 115(1)(a) of the Act	Reference	For Official Use
	<p>(h) The remuneration and commissions of the manager and the depositary, if applicable, and the method of their calculation;</p> <p>(i) the relation of the AIF with limited number of persons, its manager and its depositary, especially in case they belong to the same group of companies;</p> <p>(l) the expenses charged to the AIF with limited number of persons;</p> <p>(k) the rules regarding the distribution of the profits of the AIF with limited number of persons, in particular, the time and procedure of its distribution;</p> <p>(l) the procedure of the amendment of the instruments of incorporation of the AIF with limited number of persons; and</p> <p>(m) the reasons for the dissolution of the AIF with limited number of persons.</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p>Section 56(4) of the Law</p>	<p>The memorandum of association of the investment company which shall operate as a variable capital investment company, shall, also, include the following:</p> <p>(a) that the issued capital of the company is variable and equals to its respective net asset value;</p> <p>(b) that the respective capital of the company is divided to number of shares without nominal value</p> <p>(c) that the shares of the company shall be redeemed upon its shareholders' request, directly or indirectly by its assets.</p> <p>Content of the Partnership Agreement according to Section 66 of the law</p>	<p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p>
<p>Section 66(1) of the Law</p>	<p>The partnership agreement of the limited liability partnership shall include, at least, the following:</p> <p>(a) the status of the partnership as limited liability partnership, the identity of the general partner and the depositary;</p> <p>(b) the purpose of the partnership, from which its investment objectives and investment policy result;</p> <p>(c) the category of investors to whom the partnership is addressed;</p> <p>(d) the duration of the partnership or reference that its duration is unlimited;</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>

Legal framework	Content of the statutory documents of the investment company, according to Section 115(1)(a) of the Act	Reference	For Official Use
	<p>(e) the minimum initial capital of the partnership, which shall be one hundred and twenty-five thousand euro during its operation, the valuation principles and the way the assets comprising the capital of the partnership are valued, the rules for the calculation of the net asset value, the price of issue or redemption of its units and the means of communication of these prices to the limited liability partners; where the partnership is under the management of an AIFM, in addition to the above, the information referred to in sub-sections (1) and (2) of section 19 of the Alternative Investment Fund Managers Law shall also be disclosed;</p> <p>(f) the terms of issue, marketing, cancellation and redemption or repurchase of units and the terms under which the redemption or repurchase may be suspended and reference to the fact that the suspension of redemption or repurchase may be decided by the Securities and Exchange Commission at its own initiative;</p> <p>(g) the duration of the financial year and the date it closes;</p> <p>(h) the fees and commissions of the external manager and the depositary where one is appointed, and the method of their calculation;</p> <p>(i) the relationship between the partnership, its external manager and its depositary, especially, whether they belong to the same group of companies and in relation to the criteria and conditions provided in section 28 of the Law;</p> <p>(j) the expenses of the partnership;</p> <p>(k) the rules regarding the distribution of the profits of the partnership to the limited liability partners, especially the time and distribution procedure</p> <p>(l) the procedure for the amendment of the partnership agreement;</p> <p>(m) the reasons for the dissolution of the partnership.</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>

Annex II
Checklist – Content of the Offering Document/Prospectus
(Paragraph 7 of the Directive DI131-2014-02)

DI131-2014-02	Minimum Content of the prospectus of the AIF with limited number of persons (Paragraph 7 of the directive)	Reference	For official use
(1)	<p>(a) Information regarding the manager of the AIF with limited number of persons::</p> <p> (i) name, legal form, registered office and central administration, date of incorporation and reference of its duration where this is limited, number of registration in the Registry maintained by the Securities and Exchange Commission regarding the sub-threshold AIFMs;</p> <p> (ii) Reference to any other AIFs or/and UCITS that may be under its management.</p> <p> (iii) Amount of the subscribed capital with indication of the paid-up capital.</p> <p>(b) Information regarding the AIF with limited number of persons:</p> <p> (i) Name, legal form, registered office and central administration, date of incorporation and reference to its duration, in case this is limited;</p> <p> (ii) reference to any other investment compartments;</p> <p> (iii) reference to the category of investors to which it addresses and to the maximum number of investors;</p> <p> (iv) reference to the place where the instruments of incorporation of the AIF with limited number of persons can be obtained;</p> <p> (v) initial capital;</p> <p> (vi) details regarding the procedure of issue and redemption or repurchase of units of the AIF with limited number of persons and in case of an AIF with limited number of persons which operates with multiple investment compartments, information regarding the ability of the unit-holders to shift from one investment compartment to another and the charge regarding the relevant transaction;</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>

DI131-2014-02	Minimum Content of the prospectus of the AIF with limited number of persons (Paragraph 7 of the directive)	Reference	For official use
	<p>(vii) description of the investment objectives of the AIF with limited number of persons and the management methods used; and</p> <p>(viii) the valuation rules of the assets of an AIF with limited number of persons.</p> <p>(c) Information regarding the depositary of the AIF with limited number of persons, or where the AIF with limited number of persons operates without a depositary, reference to the respective provision of section 116(5) of the Law, according to which there is no obligation to appoint a depositary.</p>	<p>.....</p> <p>.....</p> <p>.....</p>	<p>.....</p> <p>.....</p> <p>.....</p>
(2)	<p>The prospectus of an AIF with limited number of persons shall be prepared, either in an official language of the Republic, or in an official language of the Republic and in English or only in English, if the Securities and Exchange Commission consents to this.</p>	<p>.....</p>	<p>.....</p>