

## CONSULTATION PAPER

(CP-02-2025)



**SUBJECT: CONSULTATION PAPER ON AMENDING THE ALTERNATIVE INVESTMENT FUNDS LAW REGARDING AIFs IN THE FORM OF LIMITED PARTNERSHIP WITHOUT LEGAL PERSONALITY**

**DATE OF ISSUE: 12<sup>th</sup> JUNE 2025**

## PURPOSE OF THIS CONSULTATION PAPER

This Consultation Paper helps enact effective consultation procedures with market participants and investors regarding proposed changes in the Cyprus Securities and Exchange Commission's policy.

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## IMPORTANT WARNING

The submission of responses should be made no later than **2<sup>nd</sup> July 2025**. No extension will be granted on an individual basis. Therefore, unless CySEC extends the submission period with a formal announcement, any responses received after the above date **will not be considered**.

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## INSTRUCTIONS FOR THE SUBMISSION OF RESPONSES

Interested parties may submit their responses to the CySEC Policy Department by email at [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy).

The subject of the email should have the following form:

«**CP-02-2025**– *[insert the Name of Organisation, Legal or Natural Person submitting the comments or views]*»

In submitting your responses, you are requested to state whether you represent an organised group or a specific enterprise, or if you are an individual. In the case of organised groups, you are kindly requested to provide information on the number and nature of persons or enterprises you represent.

Please provide a response to the questions in the order presented in this document be concise and provide your replies in a Word document.

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## 1. INTRODUCTION

- 1.1. The Cyprus Securities and Exchange Commission ('CySEC') has published this consultation paper ('CP') to propose amendments to the Alternative Investment Funds Law of 2018 ('L. 124(I)/2018') regarding Alternative Investment Funds (AIFs) in the form of limited partnership without separate legal personality
- 1.2. The proposed amendments primarily aim to remove the requirement that the duties and obligations of the external manager of an AIF/AIFLNP/RAIF operating in the form of a limited partnership without separate legal personality, are undertaken and exercised by the general partner. With the new provisions, the external manager, who will continue to be one of the entities provided in article 6(2)(b) of the L. 124(I)/2018, will be appointed by the general partner and will not perform the duties of a general partner themselves.
- 1.3. Secondly, the proposed amendments seek to clarify the wording of the legislation in provisions relating to limited partnerships to facilitate more effective implementation.
- 1.4. CySEC's proposal aims to remove undue barriers in the establishment of AIFs, AIFLNPs, and RAIFs in the form of limited partnerships. It has become apparent that the existing requirement for the external manager to also serve as the general partner may act as a disincentive for adopting this legal structure, taking into account the following factors:
  - The general partner must be authorised by the Cyprus Securities and Exchange Commission (CySEC) as an external manager, resulting in increased costs.
  - As a general partner, the external manager assumes unlimited liability for the debts and obligations of the partnership, which discourages managers from overseeing multiple AIFs, AIFLNPs, or RAIFs, or from taking the role at all.
  - To date, only a limited number of AIFs, AIFLNPs, or RAIFs have been established as limited partnerships, indicating a low interest in this structure.
- 1.5. The proposed amendments strengthen alignment with the third-party management principle, preserve regulatory oversight, delineate the roles of the AIFM and that of General Partner and result in burden reduction without compromising investor protection.

## 2. WHO THIS CONCERNS

- 2.1. This consultation paper concerns the following entities:
  - (i) Alternative Investment Fund Managers (AIFMs),
  - (ii) UCITS Management Companies,
  - (iii) AIF Management Company,
  - (iv) Investment Funds (AIFs, AIFNLPs and RAIFs).

### 3. PROPOSED APPROACH – PRIMARY AMENDEMENTS:

Article in L. 124(I)/2018	Provision in L. 124(I)/2018	Proposed amendment
(1)	<p><b>Article 65(2):</b></p> <p>"(2) An AIF operating in the form of a limited partnership without separate legal personality is always externally managed, and the duties and obligations of the external manager are undertaken and exercised by the general partner, who in this case must be one of the entities specified in article 6(2)(b)."</p>	<p><b>Article 65(2)</b></p> <p>"(2) An AIF operating in the form of a limited partnership without separate legal personality is always externally managed, and <b>the investment management duties and obligations are undertaken and exercised, subject to the provisions of article 6(2)(b), by an external manager appointed by the general partner.</b>"</p>
(2)	<p><b>Article 69(3)(a):</b></p> <p>"(3) The partnership agreement of the limited partnership, in addition to the elements required under the provisions of the General and Limited Partnerships and Business Names Law, provided these do not conflict with the provisions of this Law, shall include at least the following:</p> <p>(a) The name of the partnership, its designation as a limited partnership and, where applicable, its status as a limited partnership with separate legal personality, as well as the name of the general partner and the name of the depositary."</p>	<p><b>Article 69(3)(a):</b></p> <p>"(3) The partnership agreement of the limited partnership, in addition to the elements required under the provisions of the General and Limited Partnerships and Business Names Law, provided these do not conflict with the provisions of this Law, shall include at least the following:</p> <p>(a) The name of the partnership, its designation as a limited partnership and, where applicable, its status as a limited partnership with separate legal personality, <b>the name of the general partner, the name of the external manager if appointed,</b> and the name of the depositary."</p>

<p>(3)</p>	<p><b>Article 74(1)(h), (i):</b></p> <p>“(1) The limited partnership is dissolved and put into liquidation:</p> <p>(h) following a relevant decision by the external manager, which is taken when the assets of the partnership are reduced and fall below the one fourth (1/4) of the minimum asset threshold, as specified in article 14(1); or</p> <p>(i) following a relevant decision by the external manager, which is when the partnership’s initial capital is reduced and fall below the two thirds (2/3) of the minimum initial capital threshold, as specified in article 66(4);</p> <p>It is provided that, in any case, the general partner shall notify, without undue delay, the Cyprus Securities and Exchange Commission of the reduction in the partnership’s assets, which may require the dissolution of the partnership.”</p> <p>Same provisions in <b>article 132(5)(h),(i)</b> for the dissolution and liquidation of an AIFLNP in the form of limited partnership.</p>	<p><b>Article 74(1)(h),(i):</b></p> <p>“(1) The limited partnership is dissolved and put into liquidation:</p> <p>(h) <b>following a relevant decision by the unitholders of the AIF</b>, which is taken when the assets of the partnership are reduced and fall below the one fourth (1/4) of the minimum asset threshold, as specified in article 14(1); or</p> <p>(i) <b>following a relevant decision by the unitholders of the AIF</b>, which is when the partnership’s initial capital is reduced and fall below the two thirds (2/3) of the minimum initial capital threshold, as specified in article 66(4);</p> <p>It is provided that, <b>with regard to subparagraphs (h) and (i) of this paragraph</b>, the general partner, <b>or the external manager in the case of an externally managed AIF</b>, shall notify, without undue delay, the Cyprus Securities and Exchange Commission of the reduction in the partnership’s assets, which may require <b>the liquidation</b> and dissolution of the AIF.”</p> <p>Same will apply in <b>article 132(5)(h),(i)</b> for the dissolution and liquidation of an AIFLNP in the form of limited partnership.</p>
<p>(4)</p>	<p><b>Article 74(3)(c):</b></p> <p>“(3) The following shall apply in case of dissolution and liquidation of a limited partnership:</p> <p>(c) The liquidator shall be the external manager of the limited partnership, unless the dissolution is due to an event provided in paragraph (e) of section (1) that concerns the external</p>	<p><b>Article 74(3)(c):</b></p> <p>“(3) The following shall apply in case of dissolution and liquidation of a limited partnership:</p> <p>(c) The liquidator shall be <b>the general partner of the AIF, unless the Court orders otherwise, pursuant to article 49(3) of the General and Limited Partnerships and Business Names Law.</b>”</p>

	<p>manager, in which case the liquidator of the limited partnership shall be appointed by the custodian. Where the event referred to in paragraph (e) of section (1) concerns the custodian, the liquidator is appointed by the Cyprus Securities and Exchange Commission by decision, and the provisions of Article 25 shall apply mutatis mutandis.”</p> <p>Same provisions in <b>article 132(7)</b> for the dissolution and liquidation of an AIFLNP in the form of limited partnership.</p>	<p>Same will apply in <b>article 132(7)</b> for the dissolution and liquidation of an AIFLNP in the form of limited partnership.</p>
(5)	<p><b>Article 75(2)(c):</b></p> <p>“(2) The Cyprus Securities and Exchange Commission may withdraw the authorisation of a limited partnership where:</p> <p>(a) the general partner fails to comply with any of the authorisation requirements of the limited partnership or with its obligations arising from the law governing its operation.”</p>	<p><b>Article 75(2)(c):</b></p> <p>(2) The Cyprus Securities and Exchange Commission may withdraw the authorisation of a limited partnership where:</p> <p>(a) The <b>external manager</b> fails to comply with any of the authorisation requirements of the limited partnership or <b>with the obligations incumbent upon the external manager</b>, as arising from the law governing its operation.”</p>
(6)	<p><b>Article 75(3):</b></p> <p>“(3) In the cases provided for in section (2), the Cyprus Securities and Exchange Commission may set a deadline for the general partner or the limited partnership to comply, and in the event of failure by the general partner or the limited partnership to comply within the set deadline, the Cyprus Securities and Exchange Commission may, by decision, withdraw the authorisation of the limited partnership.”</p>	<p><b>Article 75(3):</b></p> <p>“(3) In the cases provided for in section (2), the Cyprus Securities and Exchange Commission may set a deadline <b>for the external manager</b> or the limited partnership to comply, and in the event of failure <b>by the external manager</b> or the limited partnership to comply within the set deadline, the Cyprus Securities and Exchange Commission may, by decision, withdraw the authorisation <b>of the AIF operating in the form of limited partnership.</b>”</p>

**Note: The above English text is for information purposes only and is not legally binding. The legally binding wording is only in the Greek language.**

#### **4. CALL FOR FEEDBACK**

4.1 Interested parties are invited to submit their comments and responses to the Questions listed below by no later than **2<sup>nd</sup> July 2025**.

4.2 You are kindly reminded that you should:

- i. Answer the questions in the order presented in this document;
- ii. Be concise; and
- iii. Provide your replies in a Word document.

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##### **Question 1:**

Do you agree with the proposed approach in respect to article 65(2) of L. 124(I)/2028, as detailed in line 1 of the table of Section 3 above?

**[With the proposed amendment, the external manager will no longer be required to be the general partner].**

##### **Question 2:**

Do you agree with the proposed approach in respect to article 69(3)(a) of L. 124(I)/2018, as detailed in line 2 of the table of Section 3 above?

**[The amendment is introduced considering that the external manager will no longer serve as the general partner].**

##### **Question 3:**

Do you agree with the proposed approach in respect to article 74(1), (h) and (i), of L. 124(I)/2018, as detailed in line 3 of the table of Section 3 above?

**[Given that, in a limited partnership (AIF) without separate legal personality, the external manager will no longer be the general partner, the decision to dissolve or liquidate should not rest solely with one individual (i.e. the external manager alone). It will be up to the AIF itself to specify the required majority of unitholders to approve such a decision].**



**Question 4:**

Do you agree with the proposed approach in respect to article 74(3)(c) of L. 124(I)/2018, as detailed in line 4 of the table of Section 3 above?

**[Given that, the external manager will no longer serve as the general partner, the amendment is introduced to align with article 49(3) of the General and Limited Partnerships and Business Names Law (Chap.116)].**

**Question 5:**

Do you agree with the proposed approach in respect to article 75(2)(a) of L. 124(I)/2018, as detailed in line 5 of the table of Section 3 above?

**[The amendment is introduced considering that the external manager will no longer serve as the general partner. The same approach is followed in article 64(2)(a) of L. 124(I)/2018 regarding investment companies].**

**Question 6:**

Do you agree with the proposed approach in respect to article 75(3) of L. 124(I)/2018, as detailed in line 6 of the table of Section 3 above?

**[The amendment is introduced considering that the external manager will no longer serve as the general partner. The same approach is followed in article 64(2)(a) of L. 124(I)/2018 regarding investment companies].**

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