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FOREX and investment firms – destination Cyprus

By Angelos Paphitis, Managing Director
A.G. Paphitis & Co. LLC – Law Offices



SETTING UP FX AND INVESTMENT BUSINESS IN CYPRUS – THE THINGS TO KNOW!

THERE HAS OVER THE PAST FEW YEAR ENORMOUS FOCUS on investment services in Cyprus. Since its accession to the EU there has been much effort to transform Cyprus into a global financial and investment business centre, aiming to provide access to Europe and other key markets, such as Russia, the Middle East, Asia and Africa. Many globally recognised top FOREX and investment firms have already set a footprint in Cyprus, or have moved their headquarters in Cyprus, in an effort to acquire the relevant Cyprus Investment Firm (CIF) License under EU Markets in Financial Instruments Directive (known as 'MiFID') from the Cyprus Securities and Exchange Commission ('CySEC') and operate as a regulated investment services firm from Cyprus in all EU markets, Russia, the Middle East, Africa, Asia and other countries.

Cyprus is an ideal jurisdiction for setting up FX and investment firm headquarters for a number of reasons, including:

- a) A Cyprus Investment Firm licence will give you an EU regulatory status with favourable tax regime for having the lowest income corporate tax rate in the EU, at 10% on net profits;
- b) Passporting – the CIF licence provides an opportunity to the company to offer cross-border investment services or establish

a branch in another EEA jurisdiction without the need to obtain any additional licenses;

- c) The banking system in Cyprus is very well developed and capable of providing fast and efficient service worldwide, modelled on the British system and structured around the Central Bank of Cyprus which monitors banks' operations;
- d) No exchange control regulations. Accordingly, Cyprus is an ideal location for the maintenance, transfer

and conversion of funds, which is facilitated by efficient international banking services;

- e) Cyprus' Investment Policy allows 100% foreign direct participation in Cyprus businesses;
- f) Professional, friendly and efficient government authorities, including CySEC, with possibility of obtaining a CIF license in less than six months from application date;
- g) A mature professional services sector at a very low expense level (fees) for financial and professional services compared to other EU jurisdictions (estimated to be at 35-40%

lower than western European rates); and

- h) Excellent air and sea connections and telecommunications/internet services.

The purpose of this article is not to concentrate on the CySEC license application, but to summarise how to start business of investment services in Cyprus.

Starting a new business is not rocket science if one keeps the basic legal requirements in mind. Certainly, before entering a new market legal advice is strongly recommended. Listed below is a detailed summary of the things to know:

1 REGISTRATION OF A CYPRUS COMPANY

TO REGISTER A PRIVATE COMPANY in Cyprus is the first step. Cyprus companies are limited liability companies (LTD) and need to have at least one director and up to 50 shareholders; anyone can be a director or shareholder. There also needs to be a secretary appointed and the company's registered office address needs to be in Cyprus.

The company's operations and corporate governance rules are set within its Memorandum and Articles of Association. Only lawyers can register companies in Cyprus and the time needed for registration is around one month.

Our firm can assist in the formation and registration of the Cyprus company.

2 REGISTRATION WITH TAX AUTHORITIES

A CYPRUS COMPANY MUST register with the Cyprus tax authorities within 60 days of its incorporation date. Naturally, at A.G. Paphitis & Co. we will be pleased to assist in this process.

3 BANK ACCOUNT

CYPRUS' CURRENCY IS THE Euro, however bank accounts can easily be opened and operated in foreign currencies.

Many Cypriot banks have branches throughout the world. International banks also have branches throughout the island, with major credit cards such as Visa, MasterCard, Diners, American Express widely used.

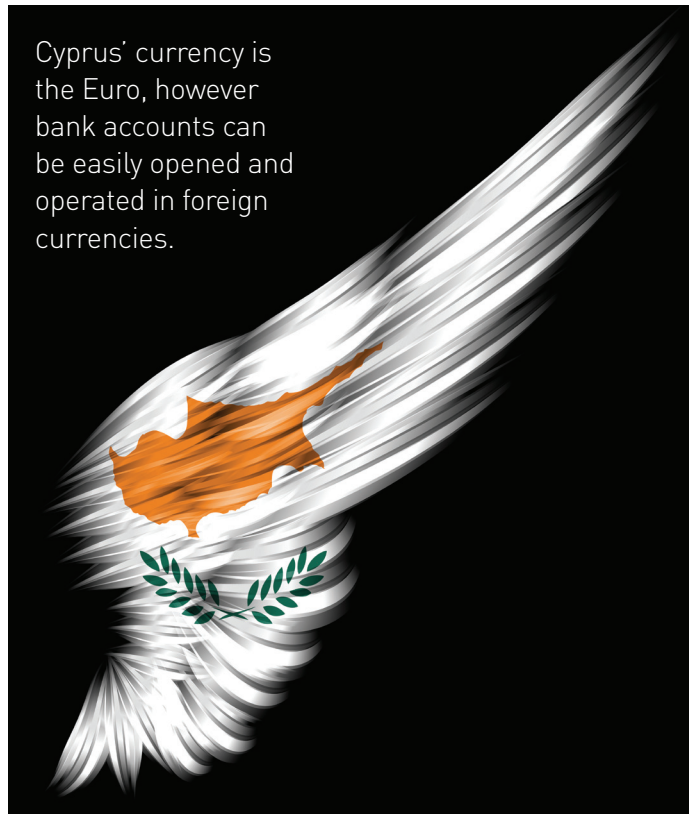
Bank accounts can be opened within a day, however KYC details of the company shareholders and the company's intended operations need be disclosed to the bank. Banking in Cyprus is subject to a duty of confidentiality, therefore any information disclosed to the bank is strictly confidential unless disclosure is requested by court order.

Our firm can assist on the opening of new bank accounts in Cyprus.

4 ACCOUNTANCY AND AUDITING

ALL CYPRUS COMPANIES MUST BE AUDITED ANNUALLY AND submit financial and tax statements to the Inland Revenue as well as the Registrar of Cyprus Companies. The audit must be carried out by a Cypriot firm of auditors in accordance with the International Accounting and Auditing Standards. Our firm can introduce you to a firm of auditors.

Cyprus' currency is the Euro, however bank accounts can be easily opened and operated in foreign currencies.



6 IMMIGRATION ISSUES

EU employees: While certain formalities must be observed (registering with the Cyprus government, etc), EU/EEA citizens do not need a work permit to be employed in Cyprus.

Non-EU employees: Immigration and employment in Cyprus of citizens from countries outside the EU/EEA requires an advance residence permit from the Migration Department, which is given fairly freely to employees of a Cyprus company of 'foreign interests' ('foreign interest' requires at least 50% of the company's share capital to belong to a foreigner, or its direct foreign capital investment to be at least €171,000), called a 'Temporary Residence Employment Permit'. Eligible companies that fulfil the 'foreign company' condition may employ third country nationals as executive directors, managers, middle-management staff, executive staff, as well as other key personnel and supporting staff. Minimum salaries apply for such employees and there are no restrictions on their residence period. Family members are also entitled to resident permit, but not work permit.

We can also provide help with immigration issues.

5 APPLICATION TO THE CYPRUS SECURITIES AND EXCHANGE COMMISSION (CYSEC)

ONCE POINTS 1 TO 4 ABOVE are fulfilled the next step is to proceed with the preparation of the CySEC application.

At a summary, an application can be for the following investment services:

- a) Reception and transmission on behalf of investors;
- b) Execution of orders on behalf of investors;
- c) Dealing in financial instruments for own account;
- d) Managing of investment portfolios;
- e) Investment advice;
- f) Underwriting;
- g) Trading for own account;
- h) Operation of multilateral trading facility.

The share capital for the applicant company must be fully

paid up (at the latest stage of the CIF application). The necessary share capital for services A-D above is €200,000 and for services E-H above is €1m. A company that provides the investment services of reception and transmission of orders and/or investment advice and does not hold clients' money or clients' financial instruments, and which for that reason may not at any time place themselves in debt with their clients, may have an initial capital of €80,000 or at least €40,000 and professional indemnity insurance.

The application needs to be followed by an internal operations manual, a business plan, a policy manual and anti-money laundering procedures in order for these to comply with the

requirements of CySEC.

The following experienced personnel must be in place, and approved by CySEC as persons of good standing and competence:

- Four directors including managing director, two executive and two non-executives. Three of them must be Cyprus residents;
- Money laundering, risk manager and compliance

officer;

- Internal auditors (Cyprus resident);
- External auditors;
- Legal consultants;

The aforementioned is a summary of the process for CySEC application. Our firm can provide further details and assist in the application process, and personnel recruitment, upon request.



A.G.PAPHITIS & Co. LLC - Law Offices

"A.G. Paphitis Chambers"
84 Spyrou Kyprianou Avenue
4004 Limassol, Cyprus

Tel +357 25 731000
Fax +357 25 761004
info@agpaphitis.com
www.agpaphitis.com



A.G. PAPHITIS & CO LLC
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