

iFX EXPO

INTERNATIONAL

26TH - 28TH MAY 2015
Limassol, Cyprus

THE ART OF RETENTION

The right way to
retain your clients

Oren Abiri
TECH FINANCIALS
PAGE 56

MODERN CURRENCY WAR

Peter Rosenstreich
SWISSQUOTE
PAGE 33

CYPRUS

Still a destination
for forex brokers

PAGE 51

VANILLA OPTION TRADING

When and why
to add it as a
trading product

Gustave Rieunier
SAXO BANK
PAGE 43

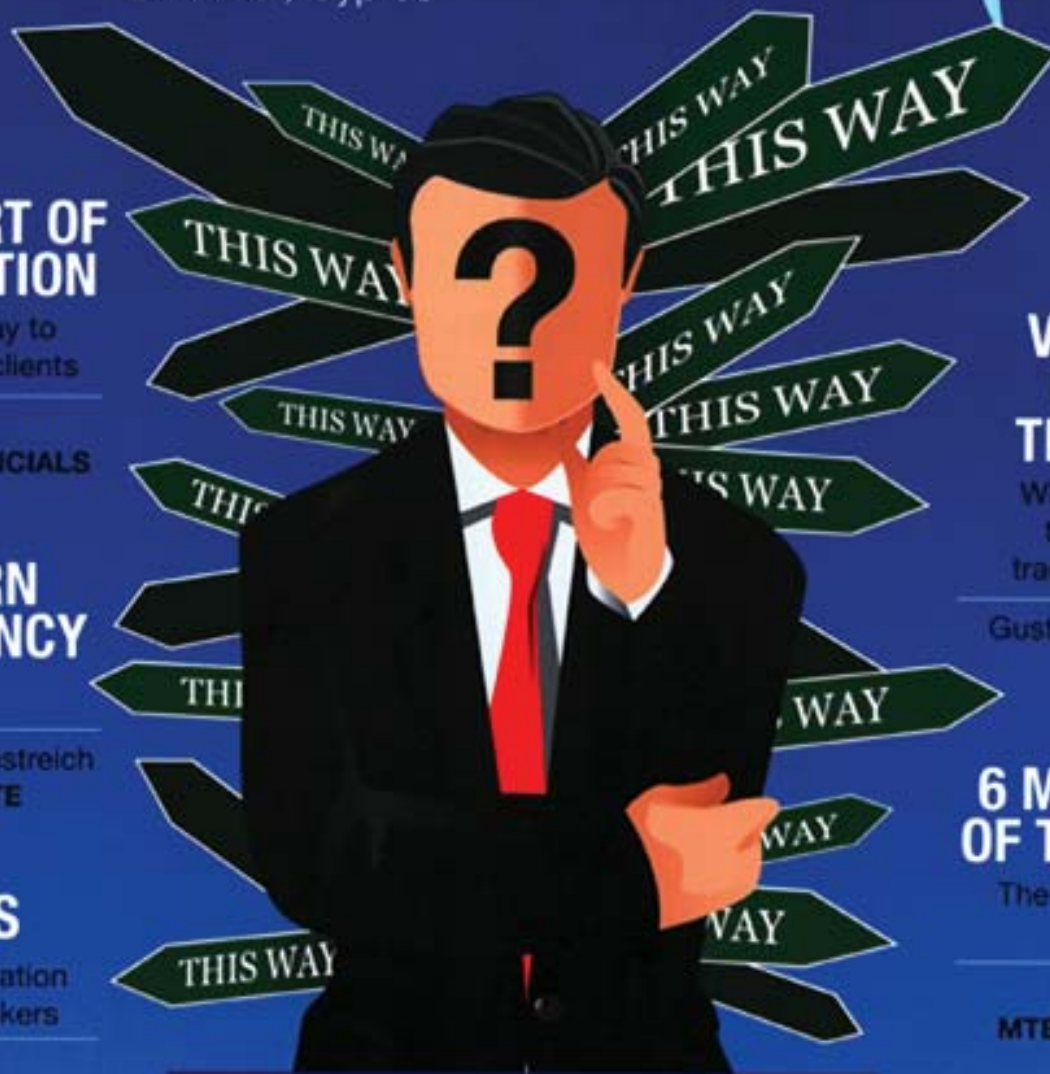
6 MONTHS OF TERROR

The life of a new
broker

Erez Shifron
MTE-MEDIA LTD
PAGE 48

THE AGE OF DIVERSIFICATION

GOING BEYOND FOREX



Global Licensing

Forex
Binary Options
Investment Funds

Cyprus / EU / New Zealand / Offshore

*solutions
for non regulated
start ups*

www.agplaw.com

A.G. PAPHITIS & CO LLC
LAW FIRM

Establishment of a Forex or Binary Firm

By Angelos Paphitis - Managing director at A.G.Paphitis & Co LLC Law Firm,
Xenia Kalogirou- Legal Consultant at A.G.Paphitis & Co LLC

Cyprus or New Zealand...? the pros and cons...

CYPRUS

Introduction

Cyprus has an advanced and sophisticated financial service sector and today, the island is seeking to greatly expand its role as a location in which to establish an investment firm. Cyprus' strategic location at the crossroads of three continents and its European and Eurozone membership have enhanced the island's attractiveness. Therefore, it is not surprising that over the last few years Cyprus has been used as a launch pad for investment firms into other European jurisdictions, Russia, the CIS, Middle East, Asia and Africa.

By April 2015, 192 Cyprus Investment Firms (CIFs) had been approved by



the Cyprus Securities and Exchange Commission (CySEC). This significant figure clearly proves that Cyprus offers one of the world's most globally-orientated and business-friendly environments for establishing an investment firm.

What makes the island an ideal location for investors and businesses?

Legal and Regulatory framework

Cyprus' legal framework is strong and well-functioning particularly due to mandatory compliance with European Union Regulations. The EU Markets in Financial Instruments Directive (known as "MiFID") which was implemented in Cyprus by the Investment Services and Activities and Regulated Markets Laws underpins the

island's objective to become a leading international financial centre.

An FX or BO Firm licensed by CySEC falls under the EU MiFID Directive and as such, it receives a license valid across the EU. The holder of a CIF license has the possibility of passporting its business to other EU Member States without any further authorization and capital requirements, whilst being supervised by CySEC directly. Thus, a CIF may provide investment and ancillary services and/or perform investment activities through the establishment of representative offices and/or operational branches in the territory of another member state, provided that these services and activities are covered by the authorisation granted to the CIF. As a result, the island has seen increased

interest and has attracted international industry leaders.

CIFs are regulated and supervised by CySEC which aims to establish a fair, transparent, safe and reliable securities market. Vigilant supervision and monitoring of the securities market by CySEC confirms long-term trust and confidence and at the same time enables companies to benefit from client loyalty, market domination and profitability. Recent Circulars of CySEC on the submission of auditors' report on the adequacy of arrangements established in relation to clients' funds and financial instruments, the submission of CRD IV CoRep forms based on the audited financial statements and the adequate maintenance of merchant accounts with payment service providers for the clearing/settlement of their clients' payment transactions ensure high standards of investor protection.

Low taxation

The corporate tax rate at 12,5% on net profits coupled with an extensive network of 55 bilateral double taxation treaties with other countries for the double taxation relief ensure maximum tax efficiency for CIFs and attract many investment firms to domicile on the island. In line with these tax benefits, it is important to mention that Cyprus does not impose neither capital gains tax on the disposal of shares nor withholding tax on dividends paid to non-resident shareholders and on payments of interest and royalties outside Cyprus.

Low business costs

Compared with other jurisdictions, Cyprus offers one of the most competitive operating and licensing cost packages for Investment Firms. Office space, residential property and professional fees are relatively inexpensive when compared to other jurisdictions.

The minimum initial capital requirement for Cyprus Forex (FX) and Binary Options firms has been reduced as illustrated below:

- Market Maker (dealing on own account):
From 1.000.000 EURO to 730.000 EURO
- Broker (safeguarding of clients' funds):
From 200.000 EURO to 125.000 EURO
- Broker (not safeguarding of clients' funds):
From 80.000 EURO to 50.000 EURO

Timeframe

The process of obtaining the CySEC license is well established and usually takes between 6-8 months from the date

of submission of all required documents to the regulator.

Business operating environment

The geographic location of Cyprus, its British legal system with the flexibility of the common law doctrines and principles, its operating business environment and experienced financial system along with favourable taxation, low labour costs, inexpensive office and residential accommodation and advanced telecommunications infrastructure make the island the ideal location for investors and businesses.

In addition, the experience of recruitment offices in hiring the required personnel for a CIF i.e. directors, anti-money laundering officer, risk manager, compliance officer, accountants, internal and external auditors and head for each department (dealing, sales, back office, dealing on own account etc) and the island's highly qualified professionals in a number of disciplines make the process of setting up an Investment Firm easy and fast. Last but not least, exchange controls and capital movements are fully liberalized. Profits, interest and dividends, capital invested and capital gains and any gains arising from disposal of shares in such investments can be freely remitted overseas without any limitation.

What are the disadvantages of establishing a CIF?

Due to the harmonization of the national law with the European Law, CySEC has applied increased levels of monitoring of the composition and amount of CIF's funds, tighter reporting and capital adequacy rules, enhanced compliance procedures and measures and stricter rules on the segregation of clients' funds from the CIF's own funds and from the trading benefits granted to the clients. In addition, CySEC urges all CIFs to monitor more closely the exposures related to currencies and establish strategies and policies for taking up, managing and mitigating the risks the firm is or might be exposed.

On the one hand, these rules provide better investor protection, but on the other they have as a result increased costs and strong base in financial resources since they require technology modernisation, corrective measures in order to comply with the all these rules, high competency in financial management at the senior management level, employment of professionals for the implementation of the rules and robust back office system in reporting and compliance.

FINANCIAL SERVICE PROVIDERS



NEW ZEALAND

Introduction

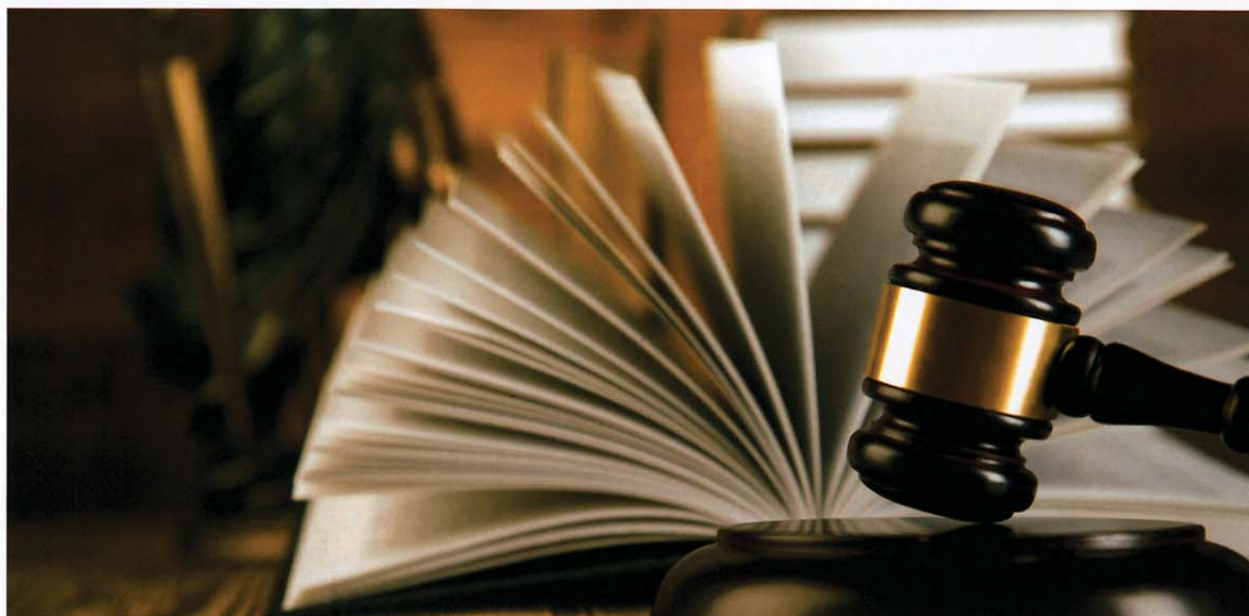
New Zealand is a jurisdiction which continuously evolves and restructures its FSP rules and requirements.

The Financial Service Providers (Registration and Dispute Resolution) Act 2008 introduced a new legislative framework for persons and entities in the business of providing financial services. On 16 August 2010 the Financial Service Providers Register (FSPR) opened to accept applications and by 31 March 2011 all financial advisers needed to be registered and apply for authorisation.

During 2012 over 250 New Zealand FSP registered companies were de-registered due to their inability or failure to follow up the new FSP rules according to which the New Zealand FSP registered companies must have a physical presence in New Zealand and must adhere to the New Zealand law as pertains to AML, KYC, directors liability, accounting and auditing and the lodgement of financial statements.

New Zealand holds a reputation for having an organized legal system founded on British Law, serious banking system and trusted business environment. It also boasts robust economy and well-developed infrastructure as it did not suffer the economic turmoil and it is away from the troubled Eurozone.

Today, New Zealand is considered as an excellent offshore jurisdiction for regulation and offers many advantages over other jurisdictions for the following reasons: a) there are not any capital requirements for offshore operations (provided that the Firm has chosen to operate offshore alone), b) qualifications requirements and fit and proper tests are not required for directors, managers and shareholders, c) there are not excessive supervisory requirements, d) the length of time for the assessment of FSP registration is approximately three months, e) there is no income tax provided that advance tax planning structure is applied, f) New Zealand is not perceived as a harmful tax jurisdiction nor it is blacklisted by any authority or jurisdiction in the world and g) it is considered as a perfect location for the provision of services to the Asia-Pacific region.



Disadvantages

First of all, it is vital to mention that no financial services are to be provided to New Zealand residents by the FSPs.

In addition, a "place of business" in New Zealand is not established by simply incorporating a New Zealand company and having a registered address (virtual office) in New Zealand. A service office providing administrative, accounting and secretarial type facilities is not considered as a place of business as contemplated by the Financial Services Providers Act.

The nature of services to be provided from a place of business in New Zealand shall be financial as that term is defined under the section 5 of the FSP Act. Administrative, accounting and secretarial type services are not "financial services".

Unfortunately, the FMA has not determined yet what level of New Zealand activity is sufficient in order to gain and/or maintain the FSP registration.

However, they are willing to assess proposals on a case by case basis.

Conclusion

Cyprus as a reliable EU jurisdiction is a licensing hub for Forex Firms which aim to gain access in the territory of EEA under a single license and intend to differentiate

themselves from brokers that operate in less regulated jurisdictions. Many globally recognized top Investment Firms have already set a footprint in Cyprus, or have moved their headquarters in Cyprus, in an effort to acquire the relevant CIF License. The island is being used as a springboard for immediate access and easy setting up in prestigious financial markets within the EU (i.e. Frankfurt and London) through the use of Cyprus financial services entities which can operate under a portfolio management licenses and act as fund managers to ICIS.

New Zealand's reputation as a well-regulated jurisdiction also attracts significant number of offshore based FSPs who seek to register in New Zealand. However, there is a difference between a domestic financial service provider based in New Zealand and then looking to expand overseas, but whose substantive operations are subject to regulation in New Zealand and an offshore financial service provider who is registered in New Zealand for the purposes of creating the impression that it is registered and regulated in New Zealand.

FMA has recently made it difficult for offshore FSPs to use registration in order to merely create a false or misleading appearance as being licensed or regulated in New Zealand and at the same time take advantage of the New Zealand's reputation. This may potentially result in two outcomes; either some brokers will leave New Zealand and seek regulation in less expensive jurisdictions or they will comply with the new requirements in order to expand their business in the APAC region.



Angelos Paphitis -
Managing director at
A.G.Paphitis & Co LLC
Law Firm

Angelos Paphitis is the founder and managing director of A.G.Paphitis & Co LLC as well as of the AGP Group of Companies.

AGP Law Firm
84, Spyrou Kyprianou Avenue, AGP
Chambers, 4004 Limassol, Cyprus

Email:
agp@agplaw.com

Tel:
+357 25 731000
www.agplaw.com



Xenia Kalogirou-
Legal Consultant at
A.G.Paphitis & Co LLC

Xenia Kalogirou is a Legal Consultant in A.G.Paphitis & Co LLC and specializes in the Corporate and Regulatory Law.