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# Evaluation of the Cyprus Investment Sector The way forward

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**School of Economics, Administration &  
Computer Science**

**Evaluation of the Cyprus Investment Sector  
The way forward**

**Yuliya Mikhailidzis**

**MSc in Banking, Investment and Finance**

**October 2020**

## **ACKNOWLEDGEMENTS**

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Yuliya Mikhailidzis

October 2020

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## **Introduction**

The present study investigates the relevant issues concerning the operation and regulation of funds of the regulatory system of the Cyprus Capital Market in relation to the European Business and Investment Activities. It is certainly understood that lately there are problems faced by the Cyprus Investment Sector and the related Services provision sector and related companies/entities of international activity, which destroys the reputation and good name of Cyprus as a center of excellence in the provision of investment services globally.

Although the performance of the Cyprus Investment sector is generally accepted as satisfactory, the overall performance is experiencing severe attacks from rival countries – especially from the European Union area and hence there is a need to investigate initially these problems and at a later stage figure out the ways and possible solutions by which these problems can be overcome. The main research questions are focused on the realization of spotting out problems. That is to say, are there any problems? If yes, then what are these problems. Having done so, what are the possible solutions?

Cyprus is fast becoming one of the top emerging investment fund centers in Europe in light of its continuous efforts to upgrade its legislative and regulatory regime, which is backed up by its strong network of financial and professional services providers. Determined to stay at the forefront of industry developments and offering unique access to high-growth markets, as well as a professional and cost-efficient jurisdiction for funds, the country has managed to be

developed in a key regional domicile for investment funds and asset management.

The population of Cyprus is one of the most highly educated in the EU, and the expertise of its service providers has made Cyprus the one location of choice for international fund promoters and investors who are seeking secure and fund solutions with advantages. Despite this, Cyprus investment sector began to lose ground and is experiencing a damage to the good name and reputation that has been build the last few decades, due to some over time problems which must be immediately addressed and resolved.

It is well understood from the beginning of this study that Cyprus is among the top group of countries which create very promising operating conditions ascertaining profitable returns on investments. The major beneficial factors are the Flexible taxation system, confidentiality of transactions, advantageous geographical location and eased visa regime. Certainly, there are some other beneficial factors as well which contribute to the maximization of returns on investments in Cyprus.

In Chapter 1 there is brief discussion of the Cyprus environment and related activities as well as a historical overview which makes the reader to expect more information on the themes to follow.

In Chapter 2 the discussion continues where was left in Chapter 1 and it is dealing with the issues of the existing organizations, though chapter 3 is analyzing the various types of investment funds.

Furthermore, chapter 4 is dealing with the actual problems encountered over time, giving an insight view of how these problems can be addressed. Certainly, this is not an easy issue but where there is a will there is a solution. If problems and difficulties are not determined and spotted no beneficial solution can be found.

Initially the discussion in chapter five is dealing with the questionnaire design and the theory that is used in order to set it up. The questions set in the present questionnaire are not exhaustive. More questions can be added in a future research, or may be some more questions could have been added in order to arrive in a solid and «pure» research result. That is to say questions that would have made the respondents reply in a truthful way. There was a very important assistance gained from the lectures of this course as well as other experienced form everyday activities related to the sector.

Chapter 5 continuous with the presentation and analysis of the research results, the graphs, data and tables as well as discussion and suggestions for all those issues that cannot be addressed in the length of the present study.

The concluding chapter provides some comments and ideas on how to proceed further. The study is completed by the provision of Appendices.

Having said all these, it is of utmost importance to figure out that prosperity of every organization depends upon various factors which maintain its healthy and solid existence. Likewise, money, was, is and it will continue to be a generating power for almost every activity of modern society. Therefore, care should be taken when coming to issues that are dealing with this precious resource. This

is true for the flow of such resource, allocation usage but most of all the regulations that modern legal system devise in order to ascertain a continuous legal, fruitful and productive flow and allocation of funds. Finally, the regulatory legislation has to take into account the rapid advancements of technology and the impact they have in the transformation of the financing market. Saying that, implies that the regulator has to hire the “best of the best” in the area of technology and beyond.

The flow and allocation of such funds can change the policies and other serious activities of governments as well as individuals-companies. The control of money can impose everything to everything and everybody.



# **Chapter 1.**

*Cyprus ...*

*A Business Centre of the Past, the Present and the Future*

## **1.1 Historical Overview**

The island of Cyprus is located in a strategic position, at the right hand corner of the eastern Mediterranean Sea, being the end of Europe. It is the 3<sup>rd</sup> largest island in the Mediterranean Sea, is located at the crossroads of three continents, Europe, Africa and Asia in close proximity to diversified civilizations and settings, being the stepping stone to reach all destinations and beyond these continents.

Since ancient times the economic activity of the island was flourishing, from Minoan time, through to the Byzantines times as well as Middle Ages and the era of 18<sup>th</sup> and 19<sup>th</sup> centuries. Even under occupation by many conquerors, the local population has managed and has shown extremely good performance in the merchandising sector, in trading and in shipping.

Nowadays, the modern state of the Republic of Cyprus is playing a very important and significant role in the making of European and related economies. It might not be so obvious but it is well accepted by all that through Cyprus many large organizations are showing their presence in European markets.

“Money talks”, some people say. This was one of the major understandings of an average Cypriot. Money makes the economy, it puts it in motion and it sustains its performance. It is like the fuel of an engine and at the same time is the lubricant that keeps the engine moving for a longer time.

The area of money, the role of money in making economic growth, the ways to maximize performance, the allocation of motives to entrepreneurs, and many other, has led to the formation of a very strong sector which fortunately is at the moment performing quite well. The Investment Sector of Cyprus is indeed a very important part of the economic performance of the island and beyond and hence the government should pay too much attention to the ways to keep it running safely with good performance.

## **1.2 Cyprus Investment Sector – Benefits – Advantages and Temptations offered by the Republic of Cyprus**

Among the many advantages that Cyprus has due to its geographical positioning, easy access to the various merchant centres of the area is very important compare to other advantages. In the case of investment and the operation of investment organizations, Cyprus is offering unique opportunities to all those who would like to operate in the sector. Cyprus is a full member state of the European Union and as such provides to all operators the same benefits that other competing European States are offering. In highlighting the benefits and unique opportunities that Cyprus can provide - that is to say WHY CHOOSE CYPRUS, a summary of all these is provided below:

- (a) First of all, Cyprus is a full EU member state compliant with EU laws and regulations. This implies that the local administration has changed all the relevant regulations so that it is fully compliant with the European Laws.
- (b) Being a full member of the European Union Cyprus managed to become a member of the Eurozone as well, with whatever this implies regarding benefits and obligations.
- (c) It has been mentioned earlier that Cyprus is located in a very important and strategically indisputable position, that is to say Cyprus has a Strategic geographical location between Europe, Middle East and Africa.
- (d) Along the past years Cyprus has become a very strong and mature business centre having highly qualified and skilled professionals as well as engaging modern and technologically advanced infrastructure.
- (e) The existing rich range of legal and accounting services provided by the local entities are excellent and have nothing to be jealous of the other competitor countries and business centres located elsewhere.
- (f) A very important benefit which can play a decisive role in selecting Cyprus as the operation centre of international key players is the cost-effectiveness in setting-up and ongoing operational services.
- (g) Additionally, there is a very good tax regime as well as there are favourable EU and OECD-approved tax benefits.
- (h) It is very important to gain the trust of a large number of operators and organizations of the field. In this way, Cyprus has built up a very important and long list of countries with which double tax treaties have been signed, that is allowing for tax efficient structuring of investments.

- (i) It has been stated before that Cyprus has become a full member of the EU. Therefore, the local regulations and laws have been updated and are now fully harmonised with the corresponding EU Laws and regulations.
- (j) Another sound benefit of Cyprus, in attracting more key players in the field of investments is the fact that all collective investments can be listed on the Cyprus Stock Exchange and other recognised EU stock exchanges.
- (k) Yet again there are more benefits for the managers of Cyprus-based funds and asset who can enjoy low tax burdens levied on Cyprus-based corporations, compared to other competitor countries.
- (l) Finally, there are further tax incentives and benefits for high-earning managers and other high-net-worth individuals.

### **1.3 The Real Figures of Cyprus Economy - Statistics**

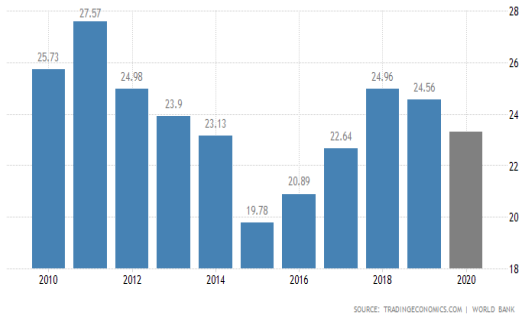
Real growth of the economy can be achieved provided that investment schemes are properly and correctly managed. Among the ordinary people there is a feeling that all these investors are coming to the island for a purpose and not because they love Cyprus. This negative effect must be addressed by the local government and provide full information to the locals making them understand that investment can bring prosperity and wealth to all. Despite the very rough times the economy has undergone since 2013, the growth rate and the various other figures are showing promising route.

At a glance Cyprus economy and overall performance is shown below:

Indicators	2019	2020	2021
GDP growth (% , yoy)	3,2	-7,7	5,3
Inflation (% , yoy)	0,5	-0,5	0,8

Figure 1.1 – Cyprus GDP – This site is managed by the Directorate-General for Communication

Due to Corona Virus there is a significant retardation on the growth. Certainly, there is a prediction for a better performance for the years ahead, provided everything stays normal. When comparing the economic performance of Cyprus for a longer period



more solid conclusions can be drawn reflecting the real capabilities of the economy. This is shown in more detail in the table and figure below: Figure 1.2 – Cyprus GDP

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
24.56	24.96	27.84	0.49	1975 - 2019	USD Billion	Yearly

The Gross Domestic Product (GDP) in Cyprus was worth 24.56 billion US dollars in 2019, according to official data from the World Bank. The GDP value of Cyprus

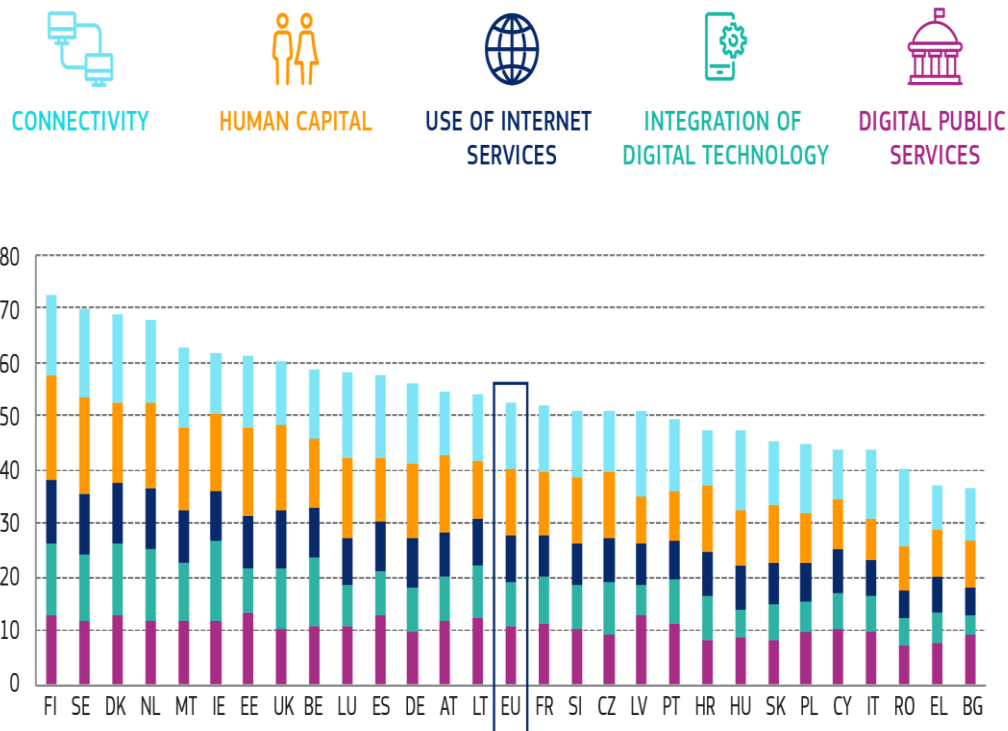
Cyprus GDP	Last	Previous	Highest	Lowest	Unit
<u>GDP Growth Rate</u>	-1.30	1.00	2.90	-2.30	percent
<u>GDP Annual Growth Rate</u>	0.80	3.20	9.10	-7.50	percent
<u>GDP</u>	24.56	24.96	27.84	0.49	USD Billion
<u>GDP Constant Prices</u>	5321.50	5391.30	5391.30	2819.30	EUR Million
<u>Gross National Product</u>	21943.62	21137.81	21943.62	7678.31	EUR Million
<u>Gross Fixed Capital Formation</u>	1115.00	968.64	1762.60	-6064.00	EUR Million
<u>GDP per capita</u>	32093.00	31506.90	32725.60	7360.00	USD
<u>GDP per capita PPP</u>	39544.70	38822.50	40324.20	24724.00	USD
<u>GDP From Agriculture</u>	102.00	101.10	153.70	78.90	EUR Million
<u>GDP From Construction</u>	359.50	402.10	493.30	176.20	EUR Million
<u>GDP From Manufacturing</u>	240.36	265.65	272.39	167.22	EUR Million
<u>GDP From Mining</u>	313.90	335.80	374.10	244.60	EUR Million
<u>GDP From Public Administration</u>	486.38	485.70	486.38	182.97	EUR Million
<u>GDP From Services</u>	1144.90	1163.00	1163.00	575.90	EUR Million

represents 0.02 percent of the world economy.

It is quite obvious that there is a promising and rising route. Therefore, it is quite important to take all these necessary measures to attain the ultimate goal @to climb up to the top of world's investment performers list.

## 1.4 The European Reality

Every European country is publishing the results in a manner very suitable the individual needs of the local economy. Despite this and further to the figure and statistical data provided above, Cyprus performance in relation to the rest of the member states of the European Union is reflected by the DESI Index.



The Digital Economy and Society Index (DESI) is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. The 2020 DESI index (2019 data) is provided in the figure below:

Figure 1.3 – The Overall DESI Index for Europe 2020

Position 24 is not very promising at all in relation to these indications. When taking into account that the growth of the economy is and will be based to a large extent upon the availability and performance of the key players in relation

to their capabilities in using digital technologies, a lot MUST be done in this area. Cyprus in reality has shown a promising willingness in order to improve all areas of interest (connectivity, human capital, use of internet services, integration of digital technologies, digital public services)

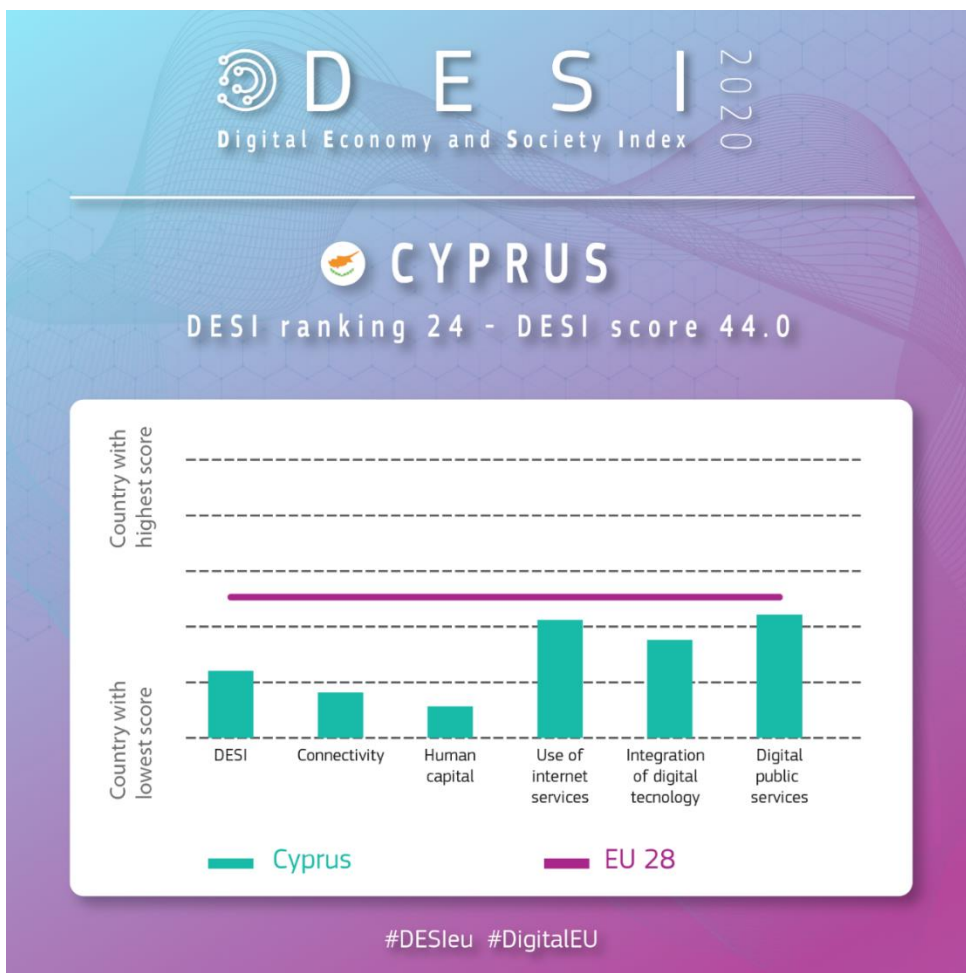


Figure 1.4 – The overall Cyprus DESI Index

Despite the prosperity and the flattering comments stated in the previous section, the reality seems to be a bit different. In the following pages a lot of discussion will be made about the problems that the economy and the investment sector is facing and the proposed measures in order to initially minimize the effect of these problems and extended to the achievement of better performance. Further to this, care is taken about the traps that



Cyprus' "friends" are setting, presenting Cyprus as not a good name despite the fact that a very good name has been built through all these years of hard work, and at a later stage attract and hook them to the economies of their own countries.

# **Chapter 2.**

*Cyprus ...*

## *Investment Sector Structure – Key Players*

### **2.1 The Securities Market Regulator and Exchange Commission**

Among the most important key players of the Cyprus Investment Sector, is the Cyprus Securities and Exchange Commission (CySEC). Everybody in the sector knows that, the CySEC is an independent public supervisory authority. It is the organization taking care of the investment services market as well as the transactions dealing with transferable securities within Cyprus. Additionally, the CySEC is taking care of all the collective investment and/or asset management area. Among its duties is the supervision of the companies providing administration services which are not related to the ICPAC and/or Cyprus Bar Association.

The major objective of the CySEC can be described as the ensuring of good and effective supervision as well as the provision of safety and protection to the investors. Additionally, CySEC is working in order to lead and position Cyprus Securities Market in the top positions as a tempting and attractive place for investment activities.

In an outlined format the most important duties and responsibilities of CySEC are the following:

- (1) examine applications and grant operating licenses to entities under its supervision, as well as to suspend and revoke the said licenses
- (2) supervise and regulate the operation of the Cyprus Stock Exchange and other organized markets in the Republic and the transactions carried out
- (3) supervise and regulate the agencies under its supervision in order to make sure that they comply with the laws governing their operation
- (4) carry out all necessary investigations in view of the exercise of the duties under the law and on behalf of other foreign competent authorities
- (5) request and collect information which is necessary or conducive to the exercise of its duties under the law and to demand by written request the provision of information from any natural or legal person or organization deemed to be in a position to provide the required information
- (6) impose the administrative and disciplinary sanctions provided by the law
- (7) require the cessation of practices which are contrary to the securities market laws
- (8) apply to a competent court for the issue of an order for detention, or charge or freezing or prevention of alienation or transaction involving assets
- (9) issue regulatory directives and decisions
- (10) cooperate and exchange data and information with other public authorities in the Republic, competent foreign supervisory authorities and other organizations

### **Structure of the CySEC**

The management of the CySEC is a bit complicated and it is modified according to the needs evolved during operation in an effort to fill all necessary gaps and needs. Top high up in the hierarchy is the Administrative five-member Board.

As mentioned before the structure is based on the evaluation of all needs and those activities engaged in the strategic planning. Lately the CySEC pressed forward with an internal restructuring. The new internal structure composes the creation of four Directorates, a Policy Department and various sub departments, that is aligned with the needs and requirements of the operations of CySEC in lined with the expected achievements, targets and goals incorporated in its future development model. As usual, there is an increase in the activities and the workload of CySEC's, the new planning and structuring includes hiring an additional significant number of employees. This is particularly directed to the Supervision and Authorisations Departments. For more effective and efficient operation of the CySEC as well as for better distribution of work, interim promotion grades for Officers have been approved.

By the time the new organisation chart was adopted, since October 2017, there are some eleven Departments comprising the CySEC, are the following:

- (1) Strategy, International Relations and Communications Department,
- (2) Legal Department,
- (3) IT and Operations Department,
- (4) Authorisations Department,
- (5) Supervision Department,
- (6) Risk Management and Statistics Department,
- (7) Issuers Department,
- (8) Market Surveillance and Investigations Department,
- (9) Finance, Human Resources and Education Department,

- (10) AML - CFT Department,
- (11) Policy Department
- (12) Internal Audit Unit.

### **CySEC Vision and Activities**

Like every strong and important organization, CySEC has set up a vision for the future and beyond in order to ***“establish the Cyprus securities market as one of the safest, reliable and attractive investment destinations”***.

The basic mission of CySEC is ascertain effectiveness in the supervision and protection of the investors as well as a sound development of the securities market of the island. In an effort to materialize its vision and its mission, as well as to fulfil its legal obligations, CySEC is focusing in the implementation of five Strategic Objectives. There are the following:

- (1) To continually reform the regulatory and supervisory outline and structure of the Cyprus securities market, based on the EU Directives and Regulations and the international practice. The implementation of this strategic objective shall ensure the high degree of investor protection and the smooth operation of the market and the harmonization of the legal framework of the Cypriot securities market with the European acquis.
- (2) To ensure the full compliance of the supervised entities with their obligations in accordance with the relevant regulatory framework. The implementation of this strategic objective shall result in the effective supervision of the supervised entities and shall assist in the enhancement of market confidence in the Cyprus financial system.

- (3) The contribution and continuous development of the investor education system The implementation of this strategy shall improve the level of knowledge of the investors on investments and their ability to make proper investment decisions.
- (4) The contribution to the promotion and attraction of new, robust and dynamic financial organisations The implementation of this strategic objective shall contribute in the improvement of the reputation and credibility of Cyprus as investment centre and shall highlight its prospects to become an international financial centre.
- (5) The continuous improvement and modernisation of the operations of CySEC The implementation of this strategic objective shall lead to an increase in the efficiency, effectiveness and transparency of the operations and procedures of CySEC and aims in reducing the bureaucracy and the time of execution of operations.

### **Legislation**

The CySEC was created according to the provisions of the Cyprus Stock Exchange Law. At first, was set up as an “Administrative Collective Supervisory Body.” Then CySEC took another shape as stated in the provisions of the “Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law”, which is reflecting its current formation.

Currently the CySEC is regarded as an independent supervisory Authority having public interest. It is considered the most important of the four other entities which inspects and assist the investment sector of Cyprus; the other three being the Central Bank of Cyprus, the Audit Service of Cooperative

Institutions, and the Supervisory Authority of Professional Pension Funds. According to the provisions of the new law which has set up the CySEC, the management of the institution is done by a Council (5 members). The chairman and the vice-chairman of the council are working on full time.

Further to the above provisions, a new law came into force on the 10/07/2009, known as “the new Cyprus Securities and Exchange Commission Law of 2009 (Law.73(I)/2009) (CySEC annual Report 2018). This new law replaced the previous laws by which the entity was managed. There was an additional amendment in 2014.

## **2.2 The CIPA – Cyprus Investment Promotion Agency**

Yet another key and very important player of the Cyprus Investment Sector is the Cyprus Investment Promotion Agency (CIPA). CIPA was set up by decision of the Council of Ministers back in 2007. Additionally, CIPA was

recorded as a non-profit company, it has full funding from the Cyprus Government. According to the provisions of the decision setting up CIPA, there is a 15-member board that is responsible for the running of the organization. CIPA is in action as from January 2008 with the following mandate:

- (1) The first mandate of CIPA is the promotion of Cyprus globally as an attractive international investment center.
- (2) The second mandate is to promote the reformation of all related regulations and laws, aiming to improve the operating business activity, and
- (3) The third mandate is to support investors after the investment and design new services and products in order to facilitate these needs.

Among others, CIPA is entitled to spot and attract new foreign investors. This is achieved by close cooperation with the private sector as well as other relevant agencies and government entities. Further to this, CIPA is a member of the World Association of Investment Promotion Agencies (WAIPA), and Med-Invest, which is the Mediterranean Countries' Investment Promotion Agency Foundation (CIPA – <https://www.investcyprus.org.cy/> and annual report 2018). Being a member of these organizations is giving CIPA the opportunity to develop good/best practices sharing and learning in the area of FDI promotion and strategy implementation.

Additionally, CIPA is engaged in the process of reforming operations in order to alleviate – eliminate the existing barriers, which are an obstacle in the fruitful and productive operation of the business and investment sector in Cyprus. This will in turn improve the competitive status of Cyprus economy as well.



### **2.3 The CIFA**

A new entity in the area of investment is the Cyprus Investment Funds Association (CIFA). CIFA started its operations in February 2013 and in April it was registered as an association according to the provisions of the Associations and Foundations Law of 1972. The initial objective was to become the loud speaking voice and representative for all actors/professionals and legal entities that are operating and providing services in the Investment Funds Industry in Cyprus.

The actual mission of CIFA is to:

- (1) Provide help to its members in order to capitalize on industry trends;
- (2) Shape, investigate and reform existing regulations and laws;
- (3) Likewise enhance professionalism of key players, ascertain their integrity and assist by improving their quality;
- (4) Assist the promotion of Cyprus Investments Fund Sector.

In details, the above objectives are achieved by discussing the various implications and challenges internationally and locally and provide the appropriate guidance through its technical committee. Furthermore, the encouragement to the industry standards and the respective professionalism is ascertaining by the protection of investors making sure that there are proper ethical standards, make sure and promote the appropriate transparency and effective cooperation with the authority – government. Additionally, an appropriate training must be available and provided to all in an effort to support

development and the industry growth. Equally important is the participation of the agency in the shaping and setting up of new legislations. This is beneficial for all players due to the expertise of CIFA who can assist both the government and the related players. This will benefit all stakeholders in the light of new regulatory developments and requirements at European and International level. Furthermore, this will assist everybody in the field when there is a need for developing new products-services in an effort to maintain competitiveness of the Cyprus Investment Sector. Further activities will involve representation of the sector in economic missions organized either by the government or other regulatory authorities. Practically this can be achieved by hosting fund conferences, other events or seminars, and by interacting with the media. Internationally, this shall be achieved by promoting awareness through its involvement with industry associations and participation in industry conferences (CIFA website <http://www.cifacyprus.org/>).

## **2.4 The CIBA**

Equally important is the Cyprus International Businesses Association (CIBA) which was established on 31 December 1992 as a registered not-for-profit company limited by guarantee. Initially, CIBA was formed by the initiative of a number of expatriate business executives, who had moved their international operations to Cyprus, in order to benefit from the island's strategic location. This was stressed before in chapter 1, as Cyprus is the bridge between Europe, Middle East, Africa and Asia. Further to this, the founders of CIBA were targeting to take advantage of the island's convenient environment as well as the good climate and the rather simple-competitive and effective tax regime.

It is important to stress here that since then CIBA has been operating as a non-governmental independent Association which is totally and exclusively relying on membership fees and on sponsorships received for promoting members through its website.

The daily tasks of CIBA are performed by its Secretariat and an Executive Committee of 12 persons who are all executives of member companies. Interestingly enough, all executive committee members are providing their services on a volunteer basis and do not receive any compensation for their time and service. They are all elected by the Members and meet at least once a month. Another important point here is that CIBA is doing everything possible to represent and safeguard the interests of the international businesses, their international shareholders, managers and the respective staff. In this way CIBA has established a very fruitful and close relationship and cooperation with other private sector entities and semi-governmental organizations, such as the Cyprus Shipping Chamber, the Institute of Certified Public Accountants of Cyprus, the Cyprus Bar Association and the Cyprus Investment Promotion Agency. CIBA doing all these seem to be a very good candidate for the leadership of a future organization that is required to be set up in order to coordinate all these key players.

Officially the mission of CIBA is summarized as below:

1. "To Listen, Understand and Address its members' needs"
2. "To Protect its member's interests by challenging and influencing developments"

3. “To Share Local Knowledge”
4. “To Promote Business Excellence” and
5. “To Connect and Network”.

In short the vision of CIBA is the following: “***The Strategic Influential Voice Representing International Business operating in Cyprus***”

**CIBA** is taking care of its members through a number of activities such as: Seminars to inform, educate and promote its members, interacts with government authorities, maintain close co-operation with other business & professional associations, it represents members at parliamentary committees, it is organizing meetings and events on behalf of the members, it is assisting members with migration issues, it is assisting members daily with tax & business related information, it is providing social networking platform and connecting people, it is promoting international business and it is providing exposure opportunities to CIBA member companies (<https://ciba-cy.org/>).

## **2.5 The Cyprus Bar Association**

The Cyprus Bar Association was established under the Advocates Law Chapter 2 in 1960 and it has been operating since then. CBA is the professional body of lawyers with over 2700 members. Again the necessary work of the Cyprus Bar Association, including administrative matters, was done voluntarily by the members of the Board and the President’s office. In 1992, the Board decided to employ a full time employee to do this work. The Association did not used to have its own premises because its income was very low. There was an

arrangement with the Advocates Pension Fund to use their own premises and they were under the same roof for years.

Eventually, own offices were rent and employ three people whose duties are related to the smooth functioning of the Association. Gradually, the website of the Association was designed with all the necessary information for lawyers and clients. They have also issued identity cards (plastic) that lawyers can present in Courts or in any other Public Authority.

Over the years and due to legislative reforms the Council of the CBA was appointed as a Supervisory Authority in matters of Money Laundering and thus created the Supervisory Control Department which deals inter alia with onsite inspections.

The Association also provides free and non-profit access to Cypriot and international sources of law through its website "CyLaw". For this purpose, the CBA hired staff who updates the website in a daily basis.

Last but not least, they organize seminars on European Law and other important matters, in order lawyers to be more informed on how European law works and keep them updated on recent updates. One of the main goals is to provide the best possible service to member lawyers in order to feel that the organization supports and helps them to every inquiry that they have.

According to Advocates Law, the Cyprus Bar Association, the Disciplinary Board and the Legal Counsel, constitute the bodies regulating the legal profession in Cyprus. Local Bar Association comprises all lawyers practicing the profession in each District. There are six Local Bar Associations one for

each of the six Districts of Cyprus. Cyprus Bar Association is independent from the Local Bar Association as far as the election of its president and the number of its members are concerned but also its competences. Cyprus Bar Association constitutes the Union of the lawyers practicing the legal profession in Cyprus.

The Cyprus Bar Council consists of:

1. The President, who is elected by the General Meeting of the Bar Association, taking place every three years.
2. The Chairmen of the District Bar Associations and one member from each District elected as representative to the Bar Council.
3. Four members elected by the General Meeting of the Bar Association.

The Attorney General is considered as the honor President of the Bar Council.

The accession of Cyprus to the European Union is one of the most important events in the history of our country. Our membership safeguards and guarantees a peaceful future for Cyprus within a safe and prosperous environment. Furthermore, it guaranteed the unity of the Europe and reinforces the stability, safety and the cooperation within the EU.

Our membership requires a continuous legislative reform for the harmonization with the European acquis and the protection of basic principles of the European Union as well as the protection of basic principles of human rights within the European law. Lawyers have always been considered as the defenders of the human rights. Dealing with the constant violation of human rights by the Turkish Government, since Turkish invasion in 1974, Cyprus and its legal profession

are specifically committed to promote and protect human rights within European Union. Nevertheless, the above necessitate the exchange of views for stronger cooperation between the Member States and their legal systems but also the introduction of new laws and methods of enforcement.

As a result, from the above, CBA is a member of:

1. International Bar Association
2. Common Wealth Lawyers Association
3. Councils and Bars of the European Union (CCBE)
4. Balkan Bar Association

## **2.6 The ICPAC**

ICPAC is one of the most important key players and stake holders concerned with the field of investment sector. For information purposes, on the establishment of the Republic of Cyprus, a number of recognised and well operating accountants have set up the Institute of Certified Public Accountants of Cyprus. This is dated back in 1961. ICPAC was set up initially with 21 members and Mr. Solon Triantafyllides elected first Chairman (<https://www.icpac.org.cy/selk/history.aspx>).

Currently, a lot of things have changed and the organization is having more than 3500 members.

The contribution of the ICPAC and its members to the evolution and development of the Investment Sector in Cyprus and the economy in general, is enormous. The landmarks in ICPAC's development from its foundation to date are the following:

- Establishment of the Institute – 4/04/1961.
- Adoption of the International Accounting Standards and the International Auditing Standards – 1981.
- Adoption of the law 76(I)/2001 by the House of Representatives, which harmonized the Cyprus legislation with the EU Directives and assigned ICPAC as the competent body to regulate and supervise the accountancy profession in Cyprus – 02/2002.
- Restructuring the ICPAC – 03/2002.
- Follow and implement the code of conduct of the International Federation of Accountants (IFAC), as from September 2002.
- New place for the Institute – 2003, hosts the Institute's offices since March 2008.
- Signature of the agreement with ACCA of the United Kingdom. More than 2800 students are registered in this scheme. This is probably the second most important milestone for ICPAC.
- ICPAC signed in 2004, a new agreement with ACCA. Promotion of the quality of assurance controls on Cyprus Audit firms (<https://www.icpac.org.cy/selk/history.aspx>).

Further to the above, ICPAC is having cooperation with many entities and organizations including the Government of Cyprus, the Central Bank, the



Cyprus Stock Exchange, the Securities and Exchange Commission, the University of Cyprus, the Cyprus Investment Promotion Agency (CIPA), the Cyprus Chamber of Commerce and Industry and many others. Apart from the local cooperation, ICPAC is in close conduct with many institutions worldwide, such as the European Federation of Accountants (FEE), the International Federation of Accountants (IFAC), the of Federation des Experts Comptables Mediterraneens (FCM), the International Fiscal Association (IFA) and the British Accounting bodies ACCA and ICAEW.

**In general, the vision of ICPAC is described by the following statement:** *"A model professional body, recognised by the state and society as the primary stakeholder for the accountancy profession and the economy in general, instilling confidence, credibility and value".* (<https://www.icpac.org.cy/selk/default.aspx>)

In simple terms, the mission of ICPAC is to "Empower its members by providing appropriate knowledge, training, guidance and support, promote the highest professional & ethical ideals, be the essential partner of the state for the matters relating to the economy and to advance the public interest." (<https://www.icpac.org.cy/selk/en/vision.aspx>).

## **2.7 Cyprus Stock Exchange**

Last but not least, the Cyprus Stock Exchange (CSE) is a regulated exchange where all activity concerning corporate and public listed securities is carried out.

In general terms and more specifically, the CSE offers a full range of products and services including among others, listing, trading, clearing, settlement and registration in its Central Securities Depository. Within its strategic aim of better servicing the investors and market participants, the CSE has recently introduced in the market a full range of new services and products, focusing on offering them at even more simplified procedures and at a lower cost level.

The Cyprus Stock Exchange was established, as a legal entity in the form of a public corporate body, under the Cyprus Securities and Stock Exchange Laws and Regulations which were passed by the House of Representatives in 1993 and 1995, respectively. The first trading session on the Cyprus Stock Exchange was held on March 29, 1996.

Currently, the CSE is acting as a Regulated Market and a Market in the form of Multilateral Trading Facility. The operation of the CSE is governed by the Cyprus Securities and Stock Exchange Law and the Investment Services and Activities and Regulated Markets Law (MIFID).

Additionally, CSE is responsible for the creation and running of a Central Depository and Central Registry (CSD). In this way the securities listed on the Cyprus Stock Exchange are registered in this CSD. Further to this in some cases CSE keeps records of the unlisted securities, whose issuer wishes the maintaining of the registry by the CSE.

Further to this, CSE is aiming to grow strong and keep cooperation with neighboring organizations. In this way the CSE is ambitious to play a coordinating and important role in this area.

Having done this, the CSE will enjoy a competitive advantage over other neighbouring stock exchanges thus attracting the interest of large international institutional investors, so as to attract additional investments.

A step forward is the signature of Memorandums of Understanding (MoU) with other Stock Exchanges. This gives rise to the opportunity for the involved parties to strengthen even further the cooperation activities in a broader spectrum of operations and services. In a wide spectrum of reciprocal issues of interest for Stock Exchange subjects. In this sense CSE has signed Memorandum of Agreement - Collaboration (Memorandum of Understanding - MOU) with various Stock Exchanges in the neighbouring area.  
(<https://www.cse.com.cy/profile/>)

## **2.8 Other Organizations**

The list of involved and interested organizations and entities is yet very long. Among others, the institutions promoting innovation is one important part which holds a very promising future. Further to this, there are other organized groups who can contribute to the overall investment sector performance.

# **Chapter 3.**

*Cyprus ...*

## *Investment Sector – Types of funds and related activities*

There is no investment if there are no funds. Even if there are perfect coordinators and excellent professionals and/or ethical political supervisors, there is no investment activity if the actual moving power is absent; that is “funds”. It is like playing football without a ball. Over time there are some different classifications of funds, listed below which are given a very short description and in very simple terms, in order to allow every reader to concept the reasons for these classifications and divisions.

### **3.1 The AIF – Alternative Investment Funds**

Among the other activities it is very important to understand how the system works and what is what? In this way a better promotion and marketing plan can be launched by the responsible authorities. It is very true that Cyprus is a very fast growing key player in the area of investment, becoming one of – if not the best emerging investment fund center lately in Europe and beyond. The efforts are continuously enhanced in order to upgrade the existing regulatory system and legislation. All these efforts are supported by the local and very talented as well as very effective network of well trained professionals. These professionals are determined to drive Cyprus Investment Sector right to the top of the international investment sector. In this way, the Cyprus Government and all other private entities must and are jointing their efforts for achieving the best possible common benefit and profit. They are offering unique/best access to

high and fast growing markets, as well as a professional and cost-efficient classification and jurisdiction for funds. It is well accepted that Cyprus has been developed into a key regional domicile for investment funds and asset managers. Further to this, the local population is considered as highly educated and has developed a high degree of professionalism. Nowadays, Cyprus has gained the reputation of a place of choice for investors at international level and activity who are looking for a solid, secure and profitable fund investment.

The Cyprus legal system has been aligned with the European laws and practices by the enactment of the Alternative Investment Funds (AIF) law in July 2014. This will promote the transparency and protection of all engaged customers. It was generally accepted and it was a common demand by all players to proceed further and enact new laws by which the investors will have additional structuring of investments, more effective authorization regarding on-going operations and of course provide transparency and proper supervision of the investments. Furthermore, there was a need to cover the aspects relevant to the duties and responsibilities of the firms' directors, depositaries and external managers. Under the provisions of this new law the AIFs that are set up domestically, can be sold on a private placement basis. They can also be marketed across the EU under the Alternative Investment Fund Managers Directive (AIFMD) passport and to all professional investors in these areas.

There are at the moment four different categories of AIF. There are listed below:

- (1) FCIC – Fixed Capital Investment Company

(2) VCIC – Variable Capital Investment Company

(3) LP – Limited Partnership\*

(4) CF – Common Fund\*\*

Regarding the Limited Partnership funds\* there are amendments to the current Partnership Law which will allow the General Partner to elect for legal personality of the Limited Partnership upon its establishment. Additionally, the common funds\*\* are accepted only when established as AIF with unlimited number of persons

**(a) Types of AIFs - Alternative Investment Fund with Limited number of Persons**

This type of fund can be described having the features and capabilities as follows:

- (i) It can be marketed only to well-informed and/ or professional investors (WIPs)
- (ii) maximum number of investors limit has been reduced to 50, from the previous 75
- (iii) freely transferable investor shares, with the condition that their transfer does not result in the AIF having more than 50 investors
- (iv) may not be required to appoint a licensed manager or a Depositary in certain circumstances such as when its total assets do not exceed €5 million. (or currency equivalent) including any investment compartments thereof, or its instruments of incorporation limit the number of its unitholders (including any investment compartments thereof) to 5 persons for the duration

of the life of the AIF, or 90% of the assets are not subject to custody and the number of investors are limited to 25 and provided each investor subscribes a minimum of €500,000

- (v) assets under management do not exceed the AIFMD thresholds of €100 million (including leverage) or €500 million (without leverage, 5-year lock-up period for investors)

(<https://www.agplaw.com/wp-content/uploads/2018/10/Cyprus-Investment-Funds-AGP-Co-9-2018.pdf>)

### **(b) Alternative Investment Fund with unlimited number of Persons**

This type of fund is best described as follows:

- (i) This type of funds may be marketed to retail, or well-informed and/or professional investors
- (ii) freely transferable investor shares
- (iii) must appoint a Depositary
- (iv) can be listed on a recognized stock exchange, and AIFs marketed to retail investors can be traded
- (v) irrespective of the category of AIF, minimum share capital requirements are valid only for self-managed funds, which are subject to €125,000 and €50,000 when respectively authorized as AIF or AIF-LNP.
- (vi) may be subject to certain investment restrictions depending on the investor type and the overall investment policy. AIFs addressed to WIPIs shall not be subject to investment restrictions, except Loan Origination Funds, Money Market Funds, Venture Capital Funds and Funds of Funds.

Information derived by: (<https://www.agplaw.com/wp-content/uploads/2018/10/Cyprus-Investment-Funds-AGP-Co-9-2018.pdf>)



### **3.2 New Regime: Registered AIFs (RAIFs)**

The effort never stops. Therefore, Cyprus has moved forward and updated the existing legislation providing new status and operational capabilities to the AIF. This new regulatory status is replacing the 2014 law, and it is responding to the latest market demands. It is introducing a new featured product; the Registered AIF. It is also introducing a new legal form which is called “the Limited Partnership” with separate legal personality. With this new Registered AIF (RAIF) status the fund does not require authorization from CySEC or other regulating bodies. In this way, when stamped as an ‘AIF’ as the law states, it provides the opportunity to cost effective and very fast launch of the fund. Despite this the new type of fund needs to fulfil the following conditions:

- (a) the fund manager must qualify as a full-scope Cyprus or EU Alternative Investment Fund Manager (AIFM), and
- (b) the fund must be targeted to professional investors and/or well-informed investors.
- (c) Third country AIFMs will be able to submit a request for registration of an AIF, once the country where these have been established has granted passporting rights pursuant to the AIFMD. CySEC will rely on the regulated status of the AIFM, to ensure compliance and indirect supervision of applicable laws and appropriate standards by the fund.

Information derived by: (<https://www.agplaw.com/wp-content/uploads/2018/10/Cyprus-Investment-Funds-AGP-Co-9-2018.pdf>)

Furthermore, there is another important benefit of this type of fund. It can use the EU marketing passport via its AIFM. Therefore, the RAIF under the provisions of the amended law, can be arranged in any legal form which is available under the Cyprus Law. It can also be opened or closed-ended and be established-engaged with many compartments. Many strategies can be followed allowing investment in almost any type of asset. Despite this, there is an exception which concerns the setup of a Loan Institution, Fund of Funds and Money Market Funds under the RAIF regime which **are not permitted**.

There are some other key operational features, such as the issue and redemption of units, which are similar to the regulated AIF case. Furthermore, the new AIF operation can introduce licensing requirements and supervision status for the Cyprus sub- threshold AIFM ('Mini Manager').

These are developments which have been awaited for a very long time. They are offering an evolution of prosperity, which makes it possible for interested parties to proceed to further expansion of their activities in a number of other structuring possibilities. In this way they assist in the promotion and in the further enhancement of Cyprus as an attractive and a competitive rising contender amongst European fund and asset management hubs.

Information derived by: (<https://www.agplaw.com/wp-content/uploads/2018/10/Cyprus-Investment-Funds-AGP-Co-9-2018.pdf>)

### **3.3 Undertakings for Collective Investments in Transferable Securities (UCITS)**

Even further expansions and benefits are introduced with the launching and eventual harmonization of the UCITS. UCITS are set up and run according to the harmonized EU legal framework. On the other hand, they are internationally considered as one of the most drastic and effective asset management tools existing. As a result of their very strict control they can provide a very high level of investor protection. Fortunately, since the country's introduction- accession to the European Union (EU) in 2004, there is also a harmonization with the *acquis communautaire* and EU Directives regulating funds. The transposition of the UCITS IV Directive in 2012, through the enactment of the Open-Ended Undertakings for Collective Investment Law of 2012 (UCI Law), which was further amended in April 2016 with the transposition of UCITS V, are very important milestones for the Cyprus investment and fund Industry. The interest for Cyprus investment sector is continually increasing since then. On the other hand, the Cyprus Securities and Exchange Commission (CySEC) regulates and supervises Cypriot UCITS and Management Companies, and to date a number of companies have set up on the island. Interestingly enough, there are some foreign UCITS that are also widely marketed in Cyprus. Additionally, there is a large number of UCITS which are also being sold outside of Europe. In this way, Cyprus is experiencing good prospects for further promotion of its geographical location as well as other obvious benefits for establishing operations and market UCITS through Cyprus.

Information derived by: (<https://www.agplaw.com/wp-content/uploads/2018/10/Cyprus-Investment-Funds-AGP-Co-9-2018.pdf>)

In general, Cyprus UCITS have various advantages which are tabulated below:

- (a) Provide Full EU passporting rights. Cyprus UCITS can be marketed and sold in other EU member states
- (b) UCITS can be listed on the Cyprus Stock Exchange and other recognised EU stock exchanges
- (c) It is very cost-efficient to set-up and operate in Cyprus
- (d) Low investment risk and internationally regarded as one of the most efficient asset management tools
- (e) Robust legislative framework that protects and promotes investor interests
- (f) Possibility to set up umbrella funds, allowing different sub-funds with different investment strategies designed to meet investors particular needs and share classes with different values and separate rights for different types of investors
- (g) Investments are fully transparent and easy to monitor through publication of Net Asset value (NAV) which is made at least every fortnight on the first business day
- (h) Upon request, investors are entitled to repurchase or redeem their units from the assets of the UCITS
- (i) Highly skilled pool of professionals in Cyprus
- (j) Local presence of Custodians/Depositaries and Fund Administrators

(Information derived from: <https://www.cysec.gov.cy/en-GB/legislation/collective-investment/UCITS/>)

### **3.4 European passport for Funds**

The 'single EU passport' has opened up good prospects for Cyprus to be used as a base for setting up funds, or for fund management companies seeking to take advantage of the country's beneficial framework to manage and/or market funds across Europe from Cyprus. The UCITS and AIFMD 'management' and 'marketing' passports allow fund managers to manage and/or sell funds across the EU, without the burden of establishing extensive administrative functions for every jurisdiction and allows them to create economies of scale where existing fund management companies are consolidated.

There are various other issues such as the redomicile of companies to Cyprus, the listing on the Cyprus Stock Exchange, taxation benefits and double tax treaties (see appendix 4), which makes the island a very tempting destination for foreign investors and more.

(Information derived from: <https://www.cyprusprofile.com/articles/european-passport-for-funds>)

## **Chapter 4.**

*Cyprus*

*Investment Sector*

*Challenges – Draw Backs – The Future*

### **4.1 The Real Problems and the Effective solutions**

The Cyprus Investment Sector and the related Services provision sector and related companies/entities of international activity, facing problems which destroys the reputation and good name of Cyprus as a centre of excellence in the provision of investment services globally.

Cyprus is well approved and accepted by now as one of the biggest and more important centre in the area of investment and service provision in relation to banking and financing as well as in the area of providing such services to Internationally operating organizations that have chosen to coordinate their activities from Cyprus. Lately, Cyprus began to lose ground and is experiencing a damage to the good name and reputation that has been build the last few decades, due to some overtime and long lasting problems which must be immediately addressed and resolved.

The last few years the sector is experiencing an intense competition from various countries some of which are member states of the European Union. These countries are taking advantage of the financial crisis that stroked Cyprus, with all these devastating conditions, the total destruction of the economy, the problems faced by the banking and finance sector, the defamation that Cyprus is used as a tax evasion paradise and money laundry system as well as the absent of activity from the Cyprus government point of view and related authorities to take the appropriate measures and corrective actions in order to overcome these problems. By doing so Cyprus investment sector can take the leading hand on the race of international investment sector, placing Cyprus (and its financing and investment sector) where it had to be, in the lead. There

is some sort of activity by competitor countries (as the media published during the last few years – The Economist as well as local journals) to mainly direct and divert investors and their related business opportunities from Cyprus and to their home countries.

Despite the above statements there is a move towards actions aiming to strengthen the sector, which concern the attraction of investors through Cyprus as well as the timely institutionalization of tax incentives and legislation such as:

- (a) the modification of the tax advantages for the relocation of companies and taxpayers (Non-DOM Status),
- (b) the transfer of tax residence and the possibility to become a tax resident in 60 days,
- (c) the amendment of the Law on International Confidence,
- (d) the introduction of the notional deduction on new capital and tax incentives,
- (e) the introduction of the tonnage tax,
- (f) the latest changes in the company registrar,
- (g) the change in the legislation on investment funds, incentives for new businesses and much more.

It is necessary to point out that Cyprus must continue its leading role as a financial centre and continue the immediate moves to strengthen the services sector and encourage the procedures of attracting new key players in order to increase the number of companies with international activities. It is urgent to

take measures and move forward towards structural changes as mentioned below to address the long-standing problems that plague the service sector and hinder the development of companies with international operations.

#### **4.2 Over time problems and Effective Solutions**

There is a number of serious problems faced by the Cyprus Investment Sector that need to be addressed and resolved immediately. The most important are listed, analysed and discussed below:

(1) A major problem to the smooth operation of the Investment Sector is the **Obsolete Legislation**, many dating back to the beginning of the last century, most of which are copies of other countries that have upgraded them over time (in their own countries). A feasible solution to this problem is the urgent modernization of the entire legislation system. There are examples to follow, eliminating the possible problems and addressing the positive benefits. For instance, England has gradually reformed corporate and investment legislation.

(2) **Bureaucracy** in almost all public bodies (everywhere in the globe) which is one of the main thorns for the dysfunction of the state mechanism.

There is an urgent need to proceed to drastic reforms of the whole system aiming to the improvement and upgrading of all services in order to avoid bureaucracy with legislative reforms, evaluation and training of employees and public service reforms in general. This is an issue which has been advertised for a long time by all presidents and political parties but till now it seems that no substantial action has been taken. Consequently, there is a



need to find a pure solution and proceed to those necessary reforms irrespective of political cost. Cyprus need to go ahead and has to be unhinged by these type of problems.

(3) **Time margin for relocation** of companies in Cyprus. The relocation of companies with activities in the field of investment is taking too long. It is highly important to reduce this time margin in order to maintain the existing customers of the Cyprus Investment sector and if possible attract more. Therefore, there is a need to find ways to reduce time and facilitate companies and groups that want to settle in Cyprus. It would be a very good approach to – and it is necessary – to set up a special department in the Ministry of Finance to resolve these issues.

(4) It is necessary to achieve **stabilization and modernization of the banking sector**. Very often and frequently, reference is made to banking problems that cause investor distrust and concern towards the Cypriot Banks. This in turn disrupts the banking sector and the financial services sector which is inextricably linked to both the banks, the services and the local tax environment as well as to the operation of public departments. Therefore, it is necessary to Improve and upgrade all the procedures of the banking sector and to implement the instructions of the Central Bank in order to attract companies and investments. This problem is also closely related to the modernization of existing and obsolete legal system. **Strict framework for opening and closing bank accounts**. Yet another obstacle in the effectiveness of the Cyprus Investment Sector is the long-time taking for

opening and closing bank account by the foreign investors. There is a need to provide a relaxation comfort to the banks in order to be able to provide appropriate and speedy services to all those investors who have chosen Cyprus as a financial center through which they will operate. Priority is also given to reducing the time for opening bank accounts and the fast processing of remittances to serve investors. It is well understood that new guidelines must be followed, but there are extreme phenomena in many cases that discredit Cyprus and make it vulnerable to competitors. These competitors impose very unfair and strong critics which are imposing very strict controls to the Cypriot Investment Sector but in their own countries banking system is very loose. This is totally unfair and unethical in the area of Investment and it is creating huge problems to Cyprus. At the same time, most European banks approached professionals in the sector to direct their customers to them, when the EU imposed the worst punishment for cutting deposits at the same time.

(5) Very often there is a **reference to tax increases and fees** that cause instability and uncertainty to investors mainly due to psychological reasons. If the authorities stop issuing such announcements the media would not have the ground to speculate about this issue. Therefore, there is a need to stop such reports of tax increases and fees and give tax and investment incentives to increase state revenues.

(6) There is a need to materialize what the government is promising. That is to say that the reinstatement / reduction of tax rates and pre-cut fees as

announced by the government must be put in practice. Restoration and reduction of pre-cut tax rates as announced by the government and elimination of the corporate tax by the corporate registrar which was imposed to increase revenues in the crisis period. The fee was imposed after copying other foreign destinations without calculating that these destinations impose the fee on companies that are taxed at 0% tax rate and do not have the income from the issuance of company certificates as all entries are made by the company and the registrar of their companies does not issue certificates for the structure of the company. There is a need to proceed to immediate harmonization of tax with revenues in relation to competitors; policies and practices.

(7) **Fine 10% from the tax collector for the money cut in 2013**, as the money cut by the current legislation is not an expense of the company used for the purpose of acquiring its income, therefore they cannot "escape" from taxation. In order to smoothen the diversity and avoid unfair treatment of investors there is a need for a new law to avoid the 10% fine from the tax collector for the money cut in 2013, and to avoid additional punishment for those who chose Cyprus for their work and were punished by cutting their deposits.

(8) The amendment of the corporate law which needs a series of changes, in order to eliminate the existing delays and the unnecessary bureaucracy that has adverse results is a vital need for an efficient investment system. It is noted that for a **company registration** in a hurry it takes 10-20 days and

for changes in Shareholders and Directors up to 20 days. This is not very competitive compare to 2 days that competitor countries are taking to do the same job. Ultimately, like most departments of the Public Service there is a need for hiring properly trained and qualified staff and at the same time upgrading the workplaces and archive system (electronic governance) of these departments.

(9) Along these lines the upgrading of workplaces and facilities / records of public services is vital need as well (Department of Population and Immigration Archive, Department of Corporate Registrar, Income Tax). New buildings must be built in areas outside the cities (between Nicosia and Limassol for convenience throughout Cyprus) with huge files to avoid the present unpleasant situation.

(10) Within the guidelines of changing the whole public Service System there is a need for computerization of all government departments and the development of e-government. This is a vital need that implies purchasing of equipment, training of existing personnel and hiring of new adequately trained personnel.

(11) References to the personal responsibility of the directors of the companies for the debts of the companies to the tax authorities, something that will be a key blow to the detriment of the international activities carried out by Cyprus.

- (12) Modernization of state structures. There is an immediate need for the reconstruction of the state machine with a targeted program that will be implemented beyond and independently of the political announcements of political and other expediencies.
- (13) Reduction of response / approval time for immigration applications. Recruitment of staff, distribution of tasks to each employee as well as upgrading of workplaces and archives of these departments is a possible solution. This is within the guidelines mentioned above for the e-governance.
- (14) Non-utilization of the CSE – The development of the CSE can be done through a series of actions such as the introduction of major infrastructure development projects in it.
- (15) Use of digital tools in Public Services. Establish the use of digital tools through public websites, such as webcasts and voice or online chat to help and serve the public.
- (16) Support for business and tax education.** Business and Tax Seminars for citizens to inform and comply with new legislation (eg filing tax returns) so that they gain knowledge and make their compliance possible. Posting the seminars on the pages of the respective departments of the public and compliance guidance by civil servants or through voice or online chat to provide assistance.

**(17) Effective procedures for one stop shop by CIPA or other organizations.**

Creating a comprehensive Encouragement and Establishment Program for a start-up company with incentives for new businesses and investments, for example:

- i. Any new company active in the field of research and innovation, not to pay corporate tax or defence tax for the next 5 or 10 years,
- ii. Do not pay transfers for the purchase of real estate in special cases that the property needs for the business
- iii. Employee tax exemption incentives.

(18) The increase of **double taxation agreements** and the establishment of a department dealing with International Tax Issues. Continuous monitoring of international developments in this field with trained and strengthened staff to reach double taxation agreements with as many countries as possible worldwide.

(19) Coordination between the provincial offices of different public services as it is observed in many cases that different practices are observed in the same department in each city. Coordination between the provincial offices should be done immediately in order to follow the same practice in matters concerning formal procedures.

(20) Reduction of the time of issuance of various certificates by public services (e.g. issuance of title deed, certificates. This is hoped to be clarified by the introduction of e-governance.

### **4.3 Additional Measures to alleviate existing Problems and Operational Difficulties for both Public and Private Sector**

It is necessary to strengthen the services sector to solve the above problems and to take the necessary corrective measures. At the same time, it becomes necessary to set up and/or reorganize departments in the various Ministries to promote investment and enhance the attraction of investment and companies of international activities in order to contribute to growth. In a summarized form the necessary measures and activities for strengthening the sector may involve and not limited to the following:

#### **Measure 1:**

Promote the establishment of an Economic Development and Innovation Council, which will aim at encouraging and exploiting innovative ideas in collaboration and full coordination with other relevant and responsible authorities for such activities.

#### **Measure 2**

Promote the establishment of cross-border provident funds so that foreign pension benefits received by non-tax residents of Cyprus are taxed in Cyprus at a specific low tax rate.

#### **Measure 3**

Establish a special service or sub-ministry of finance which will be primarily involved and deal with issues related to investment incentives, international tax developments and activities and design and provide better and more attractive initiatives in relation to what is available and provided by competitor countries to Cyprus. These new departments and / or the sub-ministry should include CIPA (Cyprus Investment Promotion Agency) which is the official organization for the promotion of Cyprus as an attractive investment and business center, CIBA (The Cyprus International Businesses Association) which is the official organization that represents the interests of companies operating internationally and takes care of the promotion of the business community in Cyprus, STEP (Society of Trust and Estate Practitioners) which is an international organization for trusts, CIFA (Cyprus Investment Funds Organization) which is the organization for the promotion of the investment fund industry, and other organized groups such as the Pancyprian Bar Association and SELK, so that these departments and / or the sub-ministry are staffed by recognized organizations and professionals who want and promote the best possible practice and have interest for the development and promotion of Cyprus as a financial centre.

It is highly important and urgent to move for the necessary measures and actions in order to protect and promote the services sector, entrepreneurship, thus attracting foreign investment and companies operating internationally, by providing better and more specialized services from both the public and the private sector.



# **Chapter 5.**

*Cyprus ...*

*Investment Sector – Research – Future Work*

## **5.1 General Research Requirements**

The vision of the Cyprus Government and other official bodies and related local organizations was, is and it will be “to transform Cyprus into a unique universal business and investment hub”. The island has all the prerequisites and potential to fulfill the above vision, starting from the ideal geographical position, the excellent legal and banking system, the availability of very well trained and

highly educated personnel as well as the fact that Cyprus is EU member state, and many others.

Despite the very good performance during the past decades, and the speedy recovery after the 2013 financial crisis, there are some points that have to be addressed and dealt with, that jeoubitize the very good image of Cyprus and Cyprus economy in general. Cyprus Investment sector was the major target of many EU and European countries in their effort to persuade investors to leave Cyprus and divert-direct their investments in their countries. These discrediting points have been taken as advantage by the competitor countries who speculated that Cyprus is used “as a money laundry” and that the local government is issuing passports and providing citizenship to international bad reputation persons. Unfortunately, there was a very slow reaction from the authorities which made things worse.

The effort and the purpose of the present study is to point out the existence of such and similar problems – especially operational rather than policy making points – face to face, irrespective of external competition, try to focus on the most important areas facing the worst problem and then provide suggestion and take corrective action. It is also the aim to suggest further research in order to improve things ten and more steps ahead of competitors and beyond.

## **5.2 Questionnaire Design/Set up**

Having in mind the analysis provided in Chapter 4, the questionnaire intended for use in the current research was design in such a way as to reflect most of

these problems, gently forcing the interviewees to direct their views in the correct direction. The questionnaire is provided in Appendix 4. It consists of 14 questions which cover the following areas:

- (1) Educational background – Q1
- (2) Gender – Q13
- (3) Age Profile – Q14
- (4) Familiarity with the investment sector – Q2
- (5) Benefits of Investment sector for the economy – Q3
- (6) Importance of attracting more investors in the local economy – Q4
- (7) Evaluate the service provision by the public and private sectors – Q5 and 6
- (8) Is the investment sector facing problems – crucial question – Q7
- (9) Who is responsible for the problems – Q8
- (10) Which sector of the public administration are mainly responsible – Q9
- (11) Classification of problems and evaluation per category – Q10
- (12) Aiming for a better future – Can Cyprus become a leading global investment sector – Q11
- (13) Suggestions by the interviewees on how to overcome existing difficulties – Q12

It is well understood that more work can be done in order to further investigate the problems and provide solid solutions to the existing problems. Furthermore, beyond the essential questions there is a need to ascertain that the received feedback is correct and it reflects the reality to a high percentage. There is a need to introduce procedures to eliminate any possible errors and other procedural mistakes. On the issue of the actual objective of the research,

further questions can be added. Such questions could include the following areas:

- (1) Comparison of service level and quality provided by the public per department
- (2) Comparison of service level and quality provided by the private sector per company
- (3) Suggestive questions related to problems – request the public opinion for the provision of solutions
- (4) Cross comparison of the service potentials and cost reduction in the provision of services to all interested parties both by the government and the private sector.

In relation to the above suggestions, some suggestions are included in the context of the discussion.

In addition to the above and according to chapter 2 and 3, it could be a very good and fruitful idea to conduct interviews at a face to face levels with:

- (1) CEOs of related organizations of the public administration and private sector and
- (2) Lower level personnel at key positions of the public and private sector.

Certainly, the view and opinion of the CEO is different than that of the lower level personnel who are actually living with the problems in their everyday life.

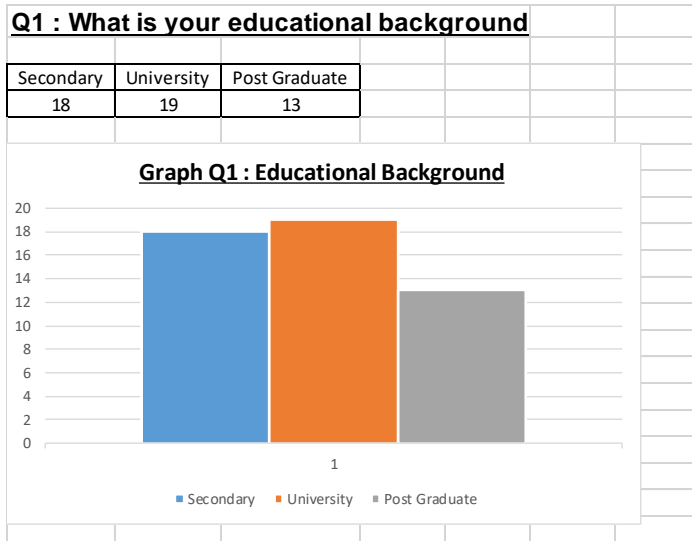
### **5.3 Research Results and Comments**

Under the circumstances the designed questionnaire is reflecting the basic needs to point out the existing problems. Initially, it has to be said that there are few questions that are standard for every research, such as the age profile, the gender and the educational background of the interviewees. For example, question 1 is providing the educational profile of the interviewees, though question 13 is enlightening the reader about their gender. Question 14 is providing a general age profile.

The actual question dealing with the subject are from Q2 to Q12. There are simple “yes” and “no” questions which can reflect truthful answers. There are also more complicated questions that involve selection of preference of the interviewees which can reflect deeper data and insight view and finally there is a matrix question of cross evaluation of the existing system, problems and possible solutions. Certainly, there could be more questions added to the research, which it is believed that can be the objective of a higher level research.

#### **5.4 Results Evaluation – Part A**

The majority of the interviewees is having a very good educational background.



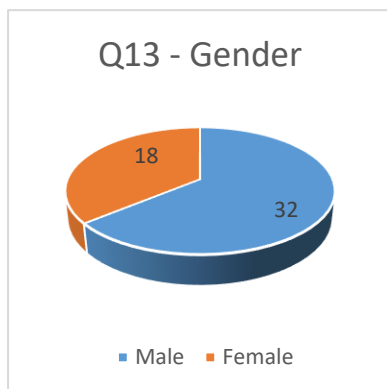
More than 60% are university graduates and 26% are having postgraduate studies. Consequently, the results could be of a very formal validity, from people who are of a high educational

level. Additionally, the good educational background minimizes the possibility of providing fault or biased answers. In the same area of questions are those questions related to the gender and age profile of the interviewees sample. For this, Q13 and Q14 are indicating a broad spectrum of age and an almost

**Q13 - Please specify your gender**

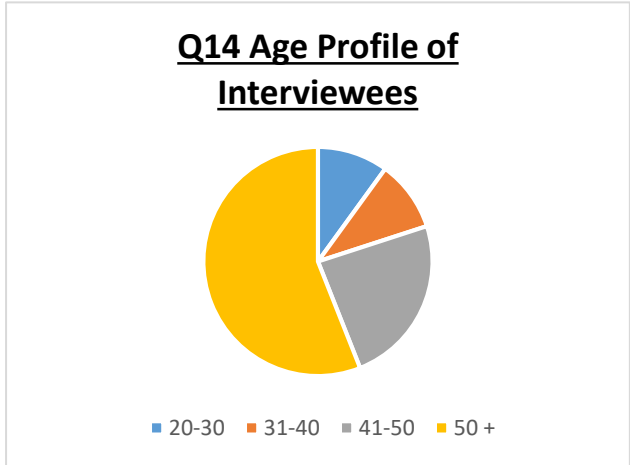
Male	Female
32	18

balanced distribution of gender.



There are more male than female interviewees although the sector is provided for women as well and a very large number of them have already been acknowledge at high rank positions both locally and abroad.

Age wise, it seems that the age group above 50 is predominating. In one hand this is promising more precise results as well as more mature answers. On the other hand, young scientists have a deeper and a more up to date knowledge giving and added flavor to their opinion. It can also be said that older age group

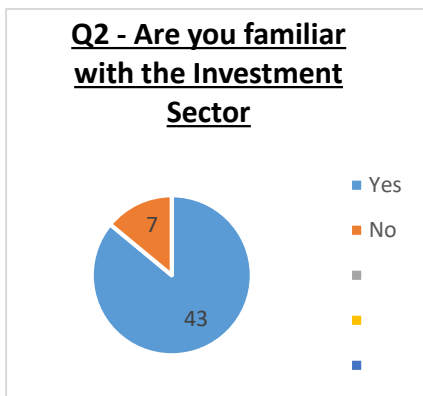


interviewees were more willing to respond to the questionnaire though the younger ones were a bit reluctant. Additionally, it has to be stated with emphasis that all responses were recorded in front of us, so there is no chance for cheating in answering the questionnaire.

**Q14 : Please check your age group**

20-30	31-40	41-50	50+
5	5	12	28

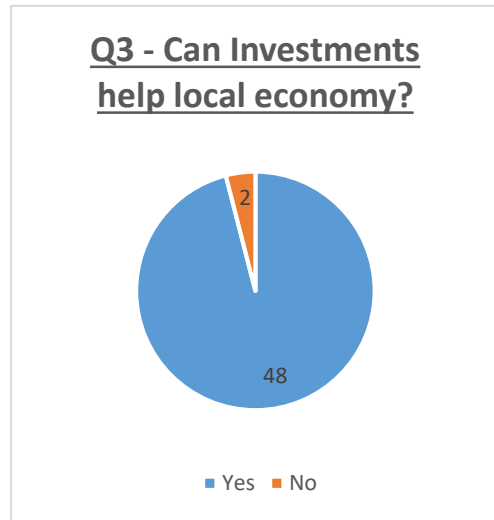
**5.5 Results Evaluation – Part B**



The majority of the responders were very well familiar with the investment sector and additionally had additional opinion on the subject. Some 86% replied “Yes” to the question of being familiar with the sector. This is quite positive with respect to the information that the local population have. Further to this,

being familiar with the investment sector implies that there is a ground of further development even at local stage and beyond.

The next question (Q3) is reflecting the opinion of the respondents regarding the effectiveness and usefulness of investments, particularly foreign, to the



Yes	No
48	2

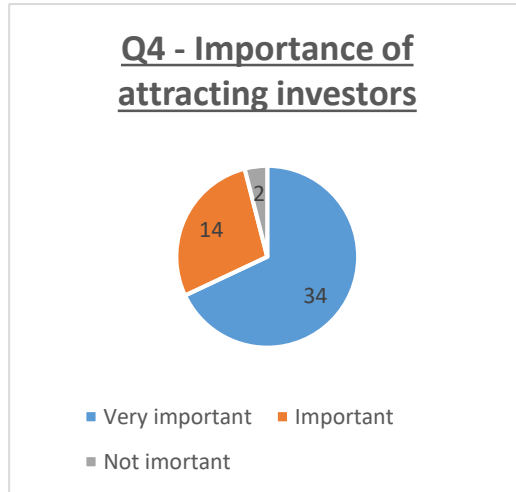
local economy. Some 96% have the opinion that investments can of great help to the local economy. This question should have been extended and ask few more details. This could be included in a sample questionnaire for further work. For instance, the respondents should be asked about the sectors of the economy that can be affected positively – or

negatively. Saying that, it is well understood that all the developments taking place right now in the island are the result of foreign investment. There is a tendency from competitors to present these investments as the result of laundering black money, in order to divert these investments to their countries. The ridiculous point here is that when some of these investments happened to go to their own countries there is no laundering of black or any dirty money. This is a very interesting and important point that the authorities should focused on so that proper solution is provided.

**Q4 - How important is to attract more /stronger investors**



<b>Very important</b>	<b>Important</b>	<b>Not important</b>
<b>34</b>	<b>14</b>	<b>2</b>



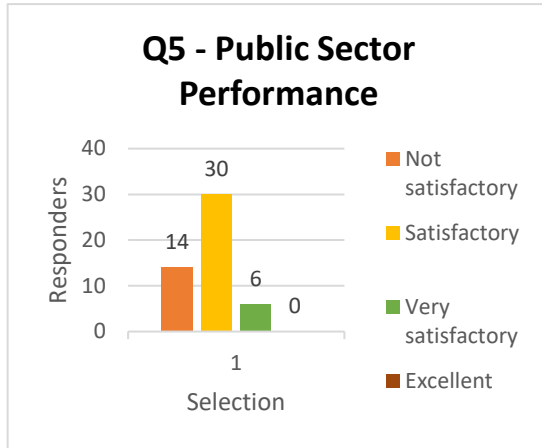
Having underlined the importance of investments, Q4 is supplementing the above comments. If local investments

are useful for the backing up of the local economy, then foreign investments are 10 times more effective in their contribution to the economy. Again the responders have stressed the importance of investment. Again some 96% replied that the allocation of foreign investment can be important (28%) and very important (68%) to the local economy. Care should be taken so as to avoid “bud” investors who can actually cause more problems than benefit. In the present situation, Cyprus is experiencing a very hard attack from competitors and it is rather hard to avoid experiencing a reputation damage completely. Despite this the local authorities (both private and public sector) should join forces in order to withstand this pressure and provide the right solution to the problems created.

**Q5 - How satisfactory are the services provided by public authorities**

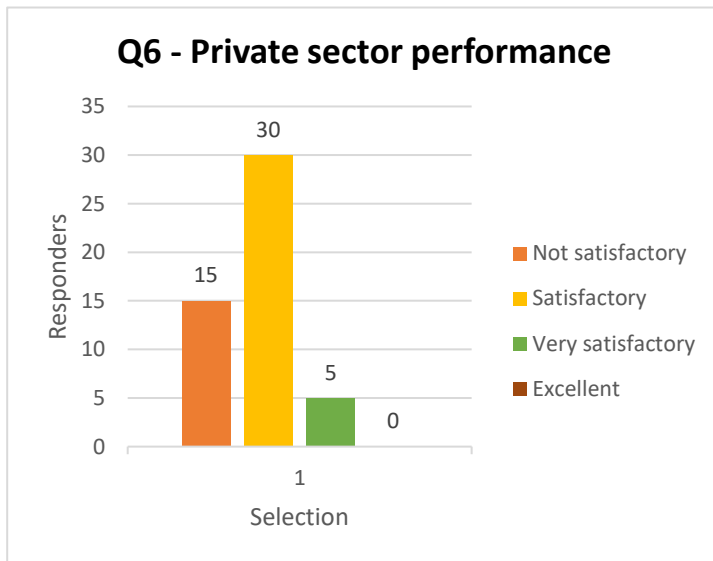
<b>Not satisfactory</b>	<b>Satisfactory</b>	<b>Very satisfactory</b>	<b>Excellent</b>
<b>14</b>	<b>30</b>	<b>6</b>	<b>0</b>

The following two questions are dealing with the capability of the existing service providers in relation to the satisfaction they offer to their clients – investors. Basically there are two main categories of service providers. These



are the private and the public sector. Responders seem to be partly happy (72%) replying that they are receiving satisfactory services both from Public and Private sector service providers. It seems that everything is right and

very little is needed to be done. In reality, this is not totally true since there are



problems and the sector is experiencing some problems in a number of areas. If these answers were totally true, then the sector should have been booming. In reality there is a need for further and

more solid developments. The fact that misleading answers are received implies that the research should be more cleverly set up. This could be an interesting point for future work.

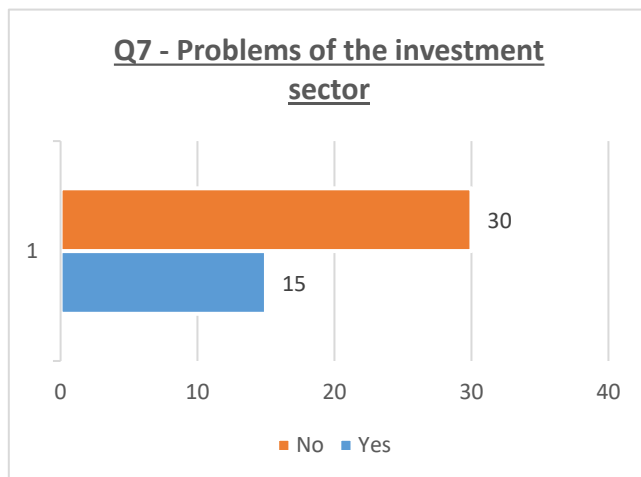
**Q6 - How satisfactory are the services provided by the private sector**

Not satisfactory	Satisfactory	Very satisfactory	Excellent
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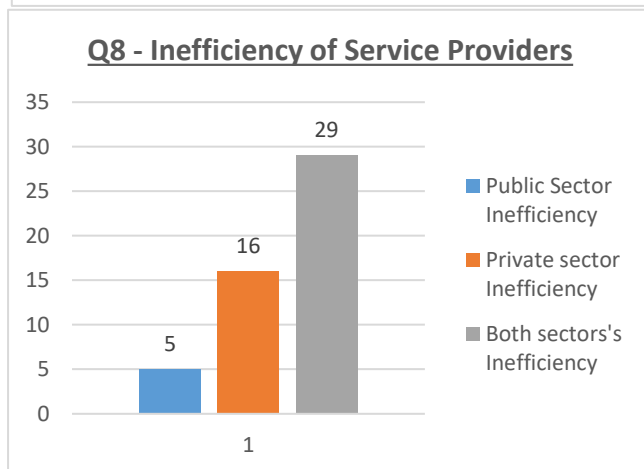
15	30	5	0	For instance, instead of
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asking the respondents a broad question regarding their satisfaction for the provided services, the question should include a variety of areas of performance. That is to say, they could be asked about the time taken in issuing visas, passports and permits. Furthermore, they could be asked about the capability of public sector officers in completing specific tasks. In this way the error introduced can be minimized.

Question 7 is very crucial as well. The interviewees were asked if they think that the investment sector is experiencing problems, a question that more or less is having a very secure answer “YES”. Interestingly enough, the majority



of the respondents replied negatively. That is to say that the investment sector of Cyprus does not experience problems. This is of course not true. Everybody understands that there are problems and that there is severe pressure exercised by competitors as well as by customers. Yet again this question need to either be rephrased or provided with more details. If



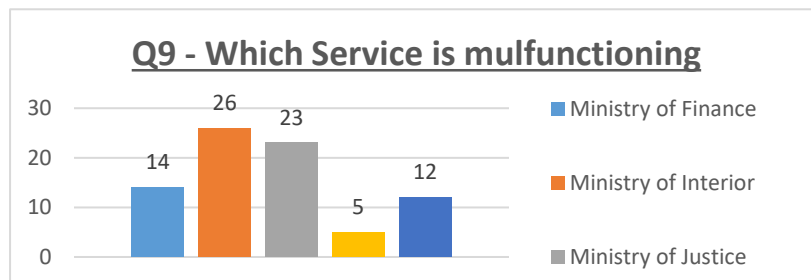
**Q8 - Do you think the problems encountered by the Investment sector are mainly due to inefficiency of the Public or the private sector**

Public Sector Inefficiency	Private sector Inefficiency	Both sectors' Inefficiency
5	16	29

the respondents who replied “No” were asked if they are happy with the time taken to issue a work permit for an employee of a foreign investor, certainly the answer cannot be other than “No we are not happy” because everybody knows that this procedure is taking rather long time to be completed. There is a number of areas to deal with, such as company registration, visa issuing procedure and many other. Although the majority of the respondents are happy with the service providers (Questions 5 and 6) and although the majority replied that the investment sector does not experience problems, in question 8 the majority replied that for the inefficiency of the service providers are both private and public sector to be blamed. That is to say, they all recognised that there are problems.

**Q9 - In which Services of the Public Administration do you think that the major problems exist?**

Ministry of Finance	14
Ministry of Interior	26
Ministry of Justice	23
Registrar of Companies and official Receiver	5
Other	12



The field “other” has a very important weighting factor. Some of the answers were: “all public services are not operating as the circumstances expects”, or

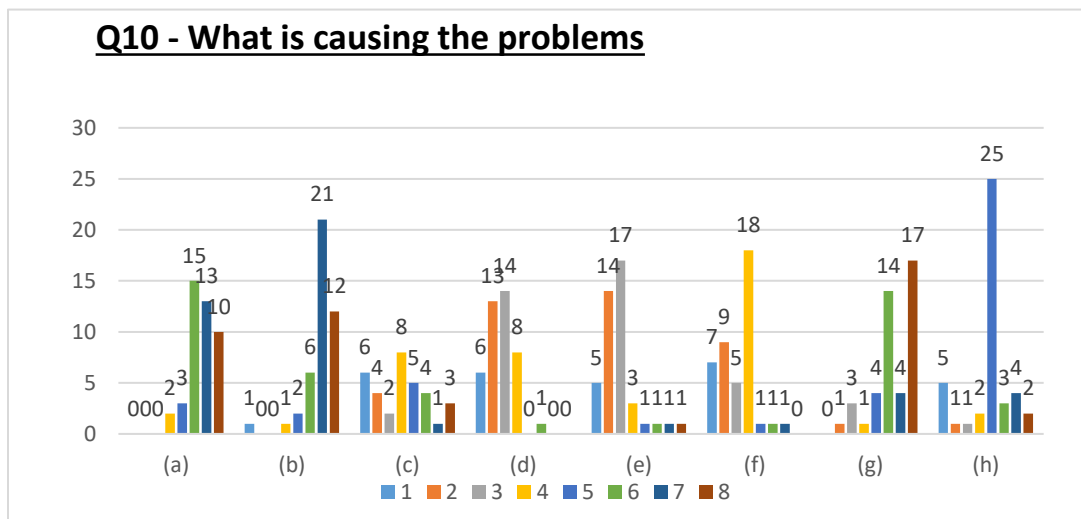
“there is no coordination between public administration departments”.

**Q10 - Classification of Problems faced by the Cyprus investment sector - Weighting factor importance**

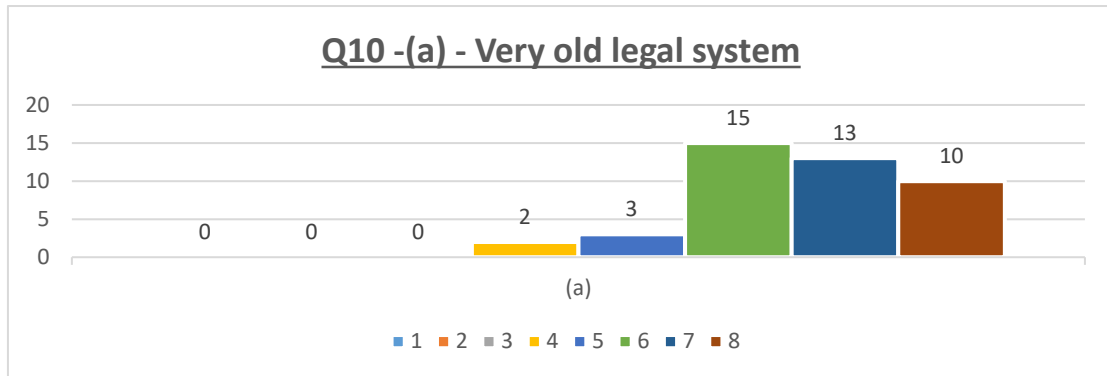
		Weighting Factor - mostly responsible for existing problems - 8 is the worst							
		1	2	3	4	5	6	7	8
<b>(a)</b>	<i>Very old Legal System</i>	0	0	0	2	3	15	13	10
<b>(b)</b>	<i>Bureaucracy</i>	1	0	0	1	2	6	21	12
<b>(c)</b>	<i>Banking System Instability</i>	6	4	2	8	5	4	1	3
<b>(d)</b>	<i>Speculations for increasing Taxation</i>	6	13	14	8	0	1	0	0
<b>(e)</b>	<i>Absence of Electronic Governance</i>	5	14	17	3	1	1	1	1
<b>(f)</b>	<i>No digital tools engaged by the Government</i>	7	9	5	18	1	1	1	0
<b>(g)</b>	<i>No coordination between government bodies</i>	0	1	3	1	4	14	4	17
<b>(h)</b>	<i>Too long issuing public administration documents</i>	5	1	1	2	25	3	4	2

The classification of Cyprus investment sector problems is illustrated in figure of question 10. It is rather difficult to point out directly the major problems but having a closer look it seems that selection (a) is most popular along

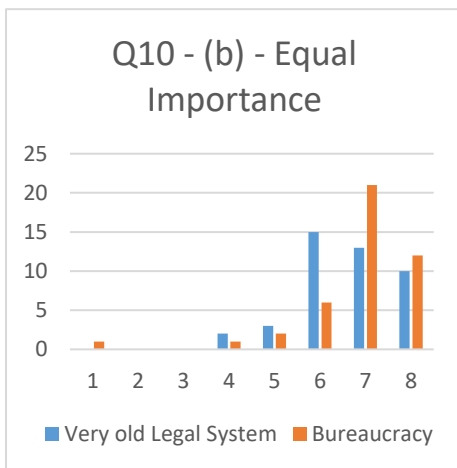
with selection (b).



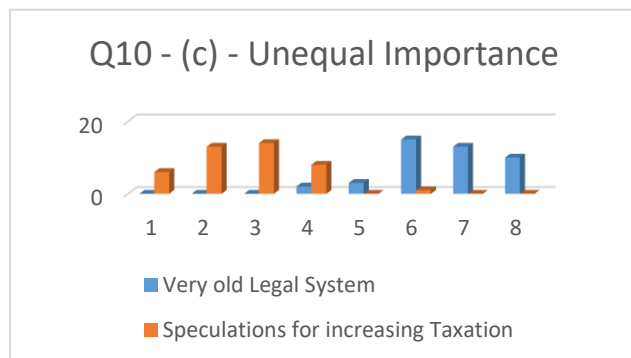
Therefore, bureaucracy and the very old legal system are the main factors to be blamed for the inefficiency of the investment system. Figure Q10-(a) is showing the preference of responds with respect to importance and it seems



that some 38/50 consider that this is a serious problem. Likewise, a series of graphs can be drawn indicating the performance of every variable. Additionally, there is a possibility to draw two different variables on the same chart in order



to compare the importance of every individual element. Saying that in graph Q10 – (b) there is a representation of two variable having similar importance and at graph Q10 – (c) there is a representation of two variables of unequal importance and preference.



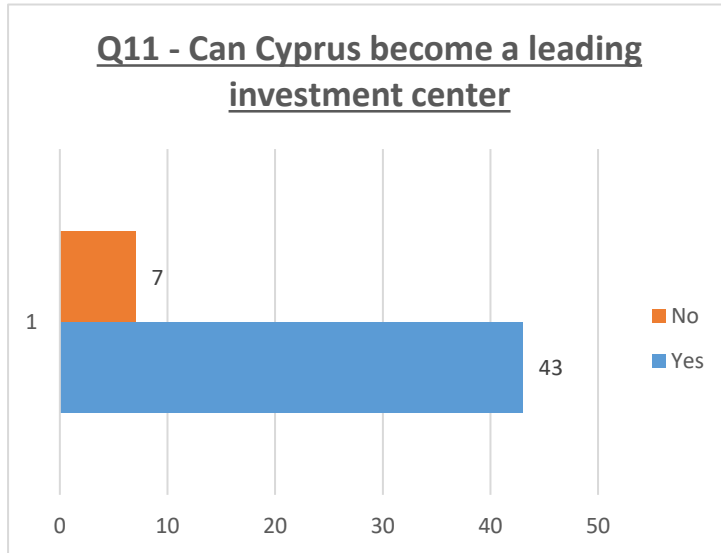
The following questions are considered as important because they can declare

Q11 - According to your opinion, do you think Cyprus can become a leading global investment centre?

whether the respondents have chosen Cyprus as one

Yes	No
43	7

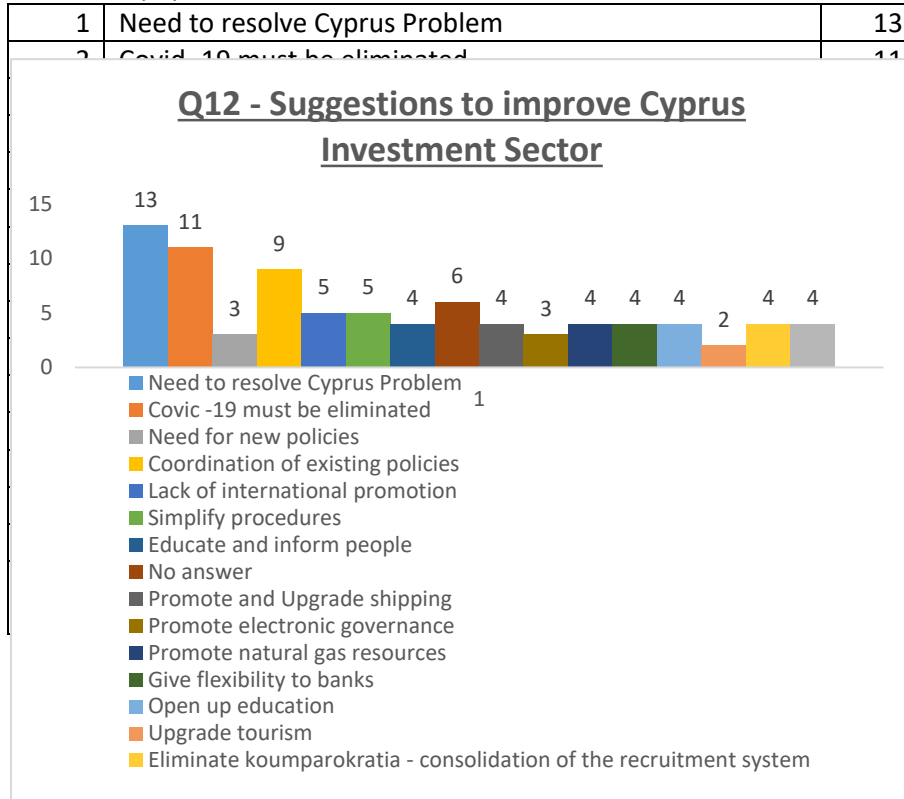
strong destination for investment. Some 43 respondents (86%) are having the opinion that Cyprus can become a leading global investment Centre. Despite the many problems they



have said that the sector is facing, still they believe that Cyprus can be a leader in this activity. Further to this, in the next question respondents provide a number of answers in relation to the ways that are available for Cyprus in order to overcome existing problems and become a leader in the game. The results are tabulated in the table below. A graphical representation is provided in the figure below. It is quite interesting to point out the suggestions made in order to overcome the various difficulties and problems. The most popular being the suggestion to resolve the political issue of the Cyprus problem. This is well understood since it will give solid stability to the area and it will ascertain stability and security of business activities. Equally popular was the suggestion to handle COVID-19 issues which lately has become a very serious nuisance for everybody globally. It has also been observed that there is a problem with the coordination between various Public Service Departments.

**Q12 - How do you think the Cyprus Investment Sector can overcome the existing difficulties and problems**

The most popular answers are:



**5.6 Ten Steps Ahead of Competitors**

The existence of the appropriate legislation and procedures is one part of the overall investment puzzle. Building skyscrapers and marinas is of course very important as well but there is another element – scale of investment that has to do with innovation and new ideas that can attract investors. Cyprus is ideal for a number of applications ranging from simple ideas (foodys, bazaraki etc.) to more complicated applications of cooperation with European Space Agency and their programs. Further to this, due to the availability of a huge number of



very well trained professionals Cyprus could be an ideal place to host the following:

(a) **Microsoft Innovation center**

Cyprus government must do the first step in order to attract such organizations. There are plenty of very well qualified professionals, thus both parties can be benefited.

(b) **Google test lab**

(c) **Intel Centre**

(d) **Open up education**

(e) **Gaming studios – in relation to tourism industry**

(f) **Natural gas technologies**

(g) **Solar energy harvesting**

(h) **Wind energy**

(i) **Shipping pioneers**

Each and every one of the above suggestions constitutes a subject for a separate research study. Consequently, the Cyprus Government has a lot to do if Cyprus is to be maintained high up in the leading places of global investment. The vision should be to be ahead of Israel and Singapore as well as other competitors so that the global policy is designed and be launched by Cyprus, and others will follow...

## **Chapter 6.**

### *Comments and Conclusions*

#### **6.1 Comments**

The objective of the present study was to investigate the Cyprus Investment Sector and provide a comprehensive inside view to the reader. Further to this, the study includes a simple but very precise research work dealing with the existing situation of the sector aiming to point out the possible problems and difficulties faced by the sector. It is also necessary to point out that the questionnaire used is not exhaustive in relation to the actual problems, their importance and the way to handle them.

Regarding the procedure followed and the methods used in order to collect information and spread the questionnaire, it can be said that there could be more care towards the selection of the interviewees. More or less the collection of information was not that easy due to the nature of the information. Despite this, it was considered necessary to present some sort of background and historical evolution of the sector in Cyprus, followed by a listing of all existing related organizations of the island and a list of funds and their corresponding types. It is implied that there is a very detailed explanation of the various parts to the extend and under the circumstances allowed.

## **6.2 Conclusions**

The global economy model is undergoing a lot of fluctuations and is experiencing a lot of problems. Various areas of unrest create very hostile environments to promote a healthy economic activity, despite the fact that such areas (e.g. Middle East) are very important in the generation of economic activity. Cyprus is yet another place in this neighborhood that combines excellent climate, very good prospects from the economy performance point of view and it is offered as a fantastic destination for investors. Despite this, there are several problems and important issues that have to be dealt with in order to put Cyprus in the top list, where actually had to be, of the investment sector

table. Cyprus is combining all the goodies promising a very fruitful investment return (all the benefits listed above) to investors.

These issues include some problems faced by the authorities both in the private and public sector. It seems that some effort has to be consume in order to minimize the effect of these problems and assist the growth of the sector. It has been understood by the findings of the research that there is a need for a better coordination of activity between all involved parties.

Due to the nature of the existing model and the old fashioned legislation as well as due to the continuous increase of investment activity, the local authorities must take action and implement all those necessary strategies in order to cope with the demand and the paste of modern investment industry. It is accepted that in the modern business environment the fastest fish is the one surviving, not the big one.

Some weakness is observed in the issuing resident permits procedure which could be improved if some motived and incentives are provided to the engaged employees. There are of course weaknesses in other sectors as well, which can be rectified in a number of ways. For example, the government can proceed and buy services from the private sector in order to cope with the ever increasing demand for more (in volume) and more (in quality) services by customers – investors. In this way, the government will have all the necessary time to proceed to the implementation of e-governance and the restructuring – where necessary – of the public sector. In this way Cyprus will not any more lose customers to other competitors.

The results of the investigation which has been conducted in the present manuscript have shown that there is a need for an urgent and drastic modification and restructuring of the system.

Certainly there are other issues as well, such as the settlement of the Cyprus problem. If and when the Cyprus problem is resolved the value of Cyprus as an international investment Centre will be multiplied many times.

The current experience is showing that the system is not functioning as expected by the circumstances and a serious reformation must be applied. This transformation must take place immediately without any further delay. Among the most difficult task would be the following:

- (a) Civil Service Restructuring
- (b) Introduction of e-governance and
- (c) The introduction of impartial procedures so that no official political or other personality would be eligible for favorable treatment.

More work can be conducted through educational establishments in order to promote awareness of the public both for the procedures prevailing in the investment sector as well as promote the interest of citizens in order to participate in these activities. Innovation and new technologies have a lot to offer and must be also examined.

### **6.3 Suggestions for further work**

In order to eliminate procedural mistakes and errors, there is a need to incorporate few more questions, as part of the provided ones, in order to force respondents to provide the proper answers in the correct sense.

Additionally, there is a need to interview managers of all those listed organizations and related companies with a face to face conduct and discussion of the questions/issues. Managers could be from the private as well as the public sector. Universities and other educational organization must be added to the list of priorities, since the future is based upon the newcomers and if there is no commitment to the new generation the sector – and actually all activities – are determined to fail.

Further to this, as listed in the previous chapters, there is a need to embrace the innovation sector since it can provide a promising future both for local economy as well as to the investors themselves.

By opening up education, the local educational system can make miracles. It is well understood that the physical restrictions of the educational establishment premises can host a limited number of students. Having in mind that the island has a tremendous potential regarding the available personnel – professors of all specializations excel abroad. Certainly, by opening up education and coordinating the exchange of academic staff, as well as hiring the potential of new technologies a lot more students can be hosted via teleconferencing. This is of great importance and it can be researched in depth.

# **Appendices.**

Appendix 1 – Abbreviations

Appendix 2 – Bibliography / References

Appendix 3 – Questionnaire

Appendix 4 – List of Countries with Tax Treaties (Double Tax Treaties)

## **Appendix 1 – ABBREVIATIONS**

AIFMD: Alternative Investment Fund Managers Directive

AIFMs: Alternative Investment Fund Managers

AIFs: Alternative Investment Funds

ASPs: Administrative Service Providers

CFIA: Cyprus Financial Investor Association

CIFs: Cyprus Investment Firms

CIPA: Cyprus Investment Promotion Agency

CRAs: Credit Rating Agencies

CSE: Cyprus Stock Exchange

CSSDA: Co-operative Societies' Supervision and Development Authority

CySEC: Cyprus Securities and Exchange Commission

EBA: European Banking Authority

EIOPA: European Insurance and Occupational Pensions Authority

ESMA: European Securities and Markets Authority



ESRB: European Systemic Risk Board

EU: European Union FO: The Financial Ombudsman of the Republic of Cyprus

ICF: Investors' Compensation Fund

ICPAC: Institute of Certified Public Accountants of Cyprus

IFs: Investment Firms

IOSCO: International Organization of Securities Commissions

MOKAS: Money Laundering Combat Unit

MTF: Multilateral Trading Facility

PREU: Permanent Representation of the Republic of Cyprus to the EU

UCITS: Undertakings for Collective Investments in Transferable Securities

UNSC: United Nations Security Council

## **Appendix 2 – Bibliography**

1. Lecture notes

2. Course textbooks

3. Websites

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- (4) [https://www.emeraldinsight.com/doi/abs/10.1108/S1569-3732\(2013\)0000016003](https://www.emeraldinsight.com/doi/abs/10.1108/S1569-3732(2013)0000016003)
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- (6) [http://eprints.lse.ac.uk/59683/1/Ferrarini\\_Saguato\\_Regulating-financial-market-infrastructures\\_2014.pdf](http://eprints.lse.ac.uk/59683/1/Ferrarini_Saguato_Regulating-financial-market-infrastructures_2014.pdf)
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  - (15) Kravchuk, I. (2019). Management of Investment Funds Financial Fragility. *Montenegrin Journal of Economics*, 15(4), 17-32.
- 4 Annual reports of Key players in the field of Investment (Cyprus entities and International Organizations)
- 5 Face to face discussions with CEOs of related entities (private and public sector) as well as academia's from Cyprus and foreign educational establishments

### **Appendix 3 – Questionnaire**

## **Cyprus Investment Sector**

### **Potentials – Drawbacks – Threats and Opportunities**

**Q1 – What is your educational background:**

(a) Secondary School graduate

(b) University Graduate

(c) Post graduate Studies

**Q2 – Are you generally familiar to the Investment Sector (of Cyprus)?**

Yes

No

**Q3 – Do you think that investment funds can help the local economy of a country?**

Yes

No

**Q4 – In relation to the Investment Sector of Cyprus, how important is to attract more and stronger investors (local and foreigners)?**

(a) Very Important

(b) Important

(c) Not important

**Q5 – In relation to the Investment Sector of Cyprus, how satisfactory are the services provided, by the involved Governmental Authorities, to the public?**

(a) Not satisfactory

(b) Satisfactory

(c) Very satisfactory

(d) Excellent

**Q6 – In relation to the Investment Sector of Cyprus, how satisfactory are the services provided by the Government Authorities to the Relevant Investment Companies and Organizations?**

(a) Not satisfactory

(b) Satisfactory

(c) Very satisfactory

(d) Excellent

**Q7 – Do you think that the Investment sector of Cyprus is experiencing problems?**

Yes

No

**Q8 – Do you think the problems encountered in the investment sector are mainly due to inefficiency of the Private sector or the Public Administration?**

- (a) Private sector inefficiency
- (b) Public sector inefficiency
- (c) Both of the above

**Q9 – In which services of the Public Administration do you think that the major problems exist?**

- (a) Ministry of Finance
- (b) Ministry of Interior
- (c) Ministry of Justice
- (d) Registrar of Companies and Official Receiver
- (e) Other – Please specify .....

**Q10 – If classifying the problems into categories, which do you think is mostly responsible for the encountered problems – please rate from 1 to 8. Mostly is 8?**

- (a) Very old legal system
- (b) Bureaucracy
- (c) Banking System Instability and inefficient operation
- (d) Speculations for increasing taxation
- (e) Electronic governance absence
- (f) No digital tools engagement by the government
- (g) No coordination between governmental bodies
- (h) Too long to issue public administration documentations

**Q11 – According to your opinion, do you think Cyprus can become a leading global investment Centre?**

- (a) Yes
- (b) No

**Q12 – How do you think the Cyprus Investment Sector can overcome the existing difficulties and problems?**

**Please suggest.**

- (a) .....
- (b) .....
- (c) .....
- (d) .....
- (e) .....

**Q13 - Please specify your gender**

**Male**

**Female**

**Q14 - Please choose your age group**

**20-30**

**31-40**

**41-50**

**50+**



## Appendix 4 - Double Taxation Agreements

	State	Date of Signature Treaty/Protocol/Note	Date of entry into force	Publication in the Official Gazette of the Republic (Number, date, text document)
1	Andorra	18/5/2018	11/01/2019	<a href="#">4240-1/6/2018</a>
2	Armenia	17/01/2011	19/09/2011	<a href="#">4145 - 05 /09/ 2011</a>
3	Austria	20/03/1990	01/01/1991	<a href="#">2500 - 27 /04/ 1990</a>
	(new agreement)	21/05/2012	01/04/2013	<a href="#">4160 - 05 /10/ 2012</a>
4	Azerbaijan***	29/10/1982	26/08/1983	26/11/1982
5	Barbados	03/05/2017	11/09/2017	<a href="#">4226 – 12/05/2017</a>
6	Belarus	29/05/1998	12/02/1999	<a href="#">3273- 09 /10/ 1998</a>
7	Belgium	14/05/1996	08/12/1999	<a href="#">3365 - 19 /11/ 1999</a>
8	Bosnia*	29/06/1985	08/09/1986	2073 - 23 /08/ 1985
9	Bulgaria	30/10/2000	03/01/2001	<a href="#">3461 - 30 /12/ 2000</a>
10	Canada	02/05/1984	03/09/1985	<a href="#">2053- 31 /05/ 1985</a>
11	China	25/10/1990	05/10/1991	<a href="#">2578 - 22 /02/ 1991</a>
12	Czech Republic	15/04/1980	30/12/1980	1599 - 03 /05/ 1980
	(new agreement)	28/04/2009	26/11/2009	<a href="#">4114 - 13 /11/ 2009</a>
13	Denmark	26/05/1981	10/04/1982	<a href="#">1704 - 17 /07/ 1981</a>
	(new agreement)	11/10/2010	07/09/2011	<a href="#">4145- 05 /09/ 2011</a>



14	Egypt (new agreement)	19/12/1993 08/10/2019	14/03/1995 31/07/2020	<a href="#">2865 - 11 /03/ 1994</a> <a href="#">4255 – 25/10/2019</a>
15	Estonia	15/10/2012	08/10/2013	<a href="#">4164 - 01 /02/ 2013</a>
16	Ethiopia	30/12/2015	18/10/2017	<a href="#">4204 – 18 /01/ 2016</a>
17	Finland	15/11/2012	28/04/2013	<a href="#">4167 - 22 /03/ 2013</a>
18	France	18/12/1981	01/04/1983	<a href="#">1468 - 09 /07/ 1982</a>
19	Georgia	13/05/2015	04/01/2016	<a href="#">4196 - 29 /05/ 2015</a>
20	Germany (new agreement)	09/05/1974 18/02/2011	11/10/1977 16/12/2011	<a href="#">1199 - 27 /06/ 1975</a> <a href="#">4145 - 05 /09/ 2011</a>
21	Greece	30/03/1968	16/01/1969	651 - 10 /05/ 1968
22	Hungary	30/11/1981	24/11/1982	<a href="#">862 -07 /05/ 1982</a>
23	Iceland	13/11/2014	22/12/2014	<a href="#">4191 - 19 /12/ 2014</a>
24	India (new agreement)	13/06/1994 18/11/2016	21/12/1994 14/12/2016	<a href="#">2921 - 04 /11/ 1994</a> <a href="#">4216 - 25 /11 / 2016</a>
25	Iran	04/08/2015	05/03/2017	<a href="#">4198 - 25 /08/ 2015</a>
26	Ireland	24/09/1968	12/07/1970	<a href="#">726 - 19 /05/ 1969</a>
27	Italy (new protocol)	24/04/1974 04/06/2009	09/06/1983 23/11/2010	<a href="#">1586 - 05 /09/ 1980</a> <a href="#">4125 - 04 /06/ 2010</a>
28	Jersey	11/07/2016	17/02/2017	<a href="#">4213 – 5 /08 /2016</a>
29	Kazakhstan	15/5/2019	17/1/2020	<a href="#">4251-24/5/2019</a>
30	Kingdom of Bahrain	09/03/2015	26/04/2016	<a href="#">4193 - 20 /03/ 2015</a>
31	Kuwait	15/12/1984	25/09/1986	<a href="#">2026 - 18 /01/ 1985</a>

	(new agreement)	05/10/2010	30/08/2013	<a href="#">4145 - 05 /09/ 2011</a>
32	Kyrgyzstan***	29/10/1982	26/08/1983	26/11/1982
33	Latvia	24/05/2016	27/10/2016	<a href="#">4211 - 03 /06 /2016</a>
34	Lebanon	18/02/2003	14/04/2005	<a href="#">08/04/2005</a>
35	Lithuania	21/06/2013	17/04/2014	<a href="#">4173 - 04 /12/ 2013</a>
36	Luxembourg	08/05/2017	23/04/2018	<a href="#">4235-29/12/2017</a>
37	Malta	22/10/1993	11/08/1994	<a href="#">2860 - 25 /02/ 1994</a>
38	Mauritius	21/01/2000	12/06/2000	<a href="#">3410 - 02 /06/ 2000</a>
	(new protocol)	23/10/2017	2/5/2018	<a href="#">4233 – 17/11/2017</a>
39	Moldova	28/01/2008	03/09/2008	<a href="#">4098 - 29 /08/ 2008</a>
40	Montenegro*	29/06/1985	08/09/1986	2073 - 23 /08/ 1985
41	Norway	02/05/1991	01/01/1995	<a href="#">11/06/1996</a>
	(new agreement)	24/02/2014	08/07/2014	<a href="#">4180 - 20 /06/ 2014</a>
42	Poland	04/06/1992	07/07/1993	<a href="#">2735 - 04 /09/ 1992</a>
	(new agreement)	22/03/2012	09/11/2012	<a href="#">4156 - 30 /03/ 2012</a>
43	Portugal	19/11/2012	16/08/2013	<a href="#">4167 - 22 /03/2013</a>
44	Qatar	11/11/2008	20/03/2009	<a href="#">4099 - 14 /11/ 2008</a>
45	Romania	16/11/1981	08/11/1982	<a href="#">1757- 26 /02/ 1982</a>
46	Russia	05/12/1998	17/08/1999	<a href="#">3306 - 26 /02/ 1999</a>
	(amending protocol)	07/10/2010	02/04/2012	<a href="#">4145 - 05 /09/ 2011</a>
	(additional amending protocol)	08/09/2020		<a href="#">4260 - 11/09/2020</a>
47	San Marino	27/04/2007	18/07/2007	<a href="#">4088 - 13 /06/ 2007</a>

	(amending protocol)	19/05/2017	27/6/2018	<a href="#">4230 - 30 /06/ 2017</a>
48	Saudi Arabia	03/01/2018	01/03/2019	<a href="#">4237 – 05/03/2018</a>
49	Serbia*	29/06/1985	08/09/1986	2073 - 23 /08/ 1985
50	Seychelles	28/06/2006	27/10/2006	<a href="#">25/10/2006</a>
51	Singapore	24/11/2000	08/02/2001	<a href="#">3641 - 30 /12/ 2000</a>
52	Slovakia**	15/04/1980	30/12/1980	1599 - 03 /05/ 1980
53	Slovenia*	29/06/1985	08/09/1986	2073 - 23 /08/ 1985
	(new agreement)	12/10/2010	14/09/2011	<a href="#">4145 - 05 /09/ 2011</a>
54	South Africa	26/11/1997	08/12/1998	<a href="#">3214 - 16/01/1998</a>
	(amending protocol)	01/04/2015	18/09/2015	<a href="#">4195 - 08 /05/ 2015</a>
55	Spain	14/02/2013	28/05/2014	<a href="#">4167 - 22 /03/ 2013</a>
56	Sweden	25/10/1988	14/11/1989	<a href="#">2377 - 20 /01/ 1989</a>
57	Swiss Confederation	25/07/2014	15/10/2015	<a href="#">4181 - 30 07/ 2014</a>
	(amending protocol)	20/07/2020		<a href="#">4259-24/07/2020</a>
58	Syria	15/03/1992	22/02/1995	<a href="#">2863 - 04 /03/ 1994</a>
59	Thailand	27/10/1998	04/04/2000	<a href="#">3394 - 17 /03/ 2000</a>
60	The States of Guernsey	15 /07/ 2014 (in Cyprus), 29 /07/2014 (in Guernsey)	04/03/2015	<a href="#">4182 - 14 /08/ 2014</a>
61	Ukraine***	29/10/1982	26/08/1983	26/11/1982
	(new agreement)	08/11/2012	19/08/2013	<a href="#">4167 - 22 /03/ 2013</a>
	(amending protocol)	11/12/2015	28/11/2019	<a href="#">4203 - 23/12/2015</a>
62	United Arab Emirates	27/02/2011	01/01/2014	<a href="#">4145 - 05 /09/ 2011</a>
63	United Kingdom	20/06/1974	18/03/1975	

	(amending protocol)	02/04/1980	15/12/1980	<a href="#">1107 - 05 /07/ 1974</a>
	(new agreement)	22/3/2018	18/7/2018	<a href="#">4238 - 2/4/2018</a>
	amending protocol	19/12/2018	2/10/2019	<a href="#">4248- 28/12/2018</a>
64	USA	19/03/1984	31/12/1985	<a href="#">1944 - 04 /04/ 1984</a>
65	Uzbekistan***	29/10/1982	26/08/1983	26 /11 1982

#### Notes

\*7 Denmark - The existing Convention shall cease to have effect as from 1.1.2012

\* [The treaty](#) between Cyprus and the Socialist Federal Republic of Yugoslavia is

still in force.

\*\* [The treaty](#) between Cyprus and the Czechoslovak Socialist Republic is still in

force

\*\*\*[The treaty](#) between Cyprus and the Union of Soviet Socialist Republics

is still in force.

**Source: Data from the Cyprus Ministry of Finance website**

<http://mof.gov.cy/en/taxation-investment-policy/double-taxation-agreements/double-taxation-treaties>



