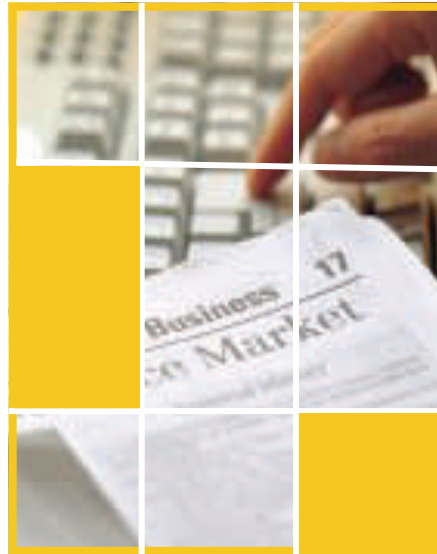


Investment Schemes



International Collective Investment Schemes

The concept

The law governing the registration of International Investment Companies is the International Collective Investment Schemes Law No. 47(I) of 1999. With the enactment of this law, and by providing the required services and facilities for the incorporation of investment companies, classifies Cyprus once again as among of the major International financial centers worldwide.

By International Collective Investment Scheme Company (ICIS), otherwise known as an investment company, we mean a corporation which collect's together investor's monies generally to invest it in stocks, warrants, bonds, equities, commodities, futures and other derivatives.

The investors are participating in the mutual fund by purchasing shares (units) of the entire pool of assets, thus diversifying their investment and hence reducing risk. The pool of assets is invested by Professional Managers (Fund Manager) who buy and sell securities on behalf of Fund.

Types of ICIS

There are 4 different ICIS, which can be incorporated in Cyprus:

- ◆ International Fixed Capital Company
- ◆ International Variable Capital Company
- ◆ International Unit Trust Scheme
- ◆ International Investment Limited Partnership

The basis of all above ICISs is the collective investment funds of uniholders. The units, as per its constitutional documentation, are at the option of the uniholders to be redeemed directly out of the assets of the scheme.

The uniholder is the owner of the units, which may be:

- ◆ an ICIS
- ◆ an International Business Company
- ◆ a person not being a permanent resident of Cyprus for the purpose of the Exchange Control Law

The above 4 types of ICISs may apply either to the "general public", or solely to "experienced investors", or to a private international collective investment scheme. Furthermore these can be established for limited or unlimited duration.

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Investment Schemes



An "experience investor " is a legal or natural person:

- ◆ Who provides financial services to the public OR
- ◆ Who frequently enters into investment transactions, which, on average are substantial size and such person, having regard to all relevant facts, can reasonably be expected to appreciate the risks inherent in investment transactions.

are competent and honest and that the manager, the general partner, and the trustee act independently of each other.

- ◆ The manager and trustee meets the necessary requirements as per the legislation of the Central Bank regulations.

Additionally, the central Bank must be satisfied that the constitutional documentation and Offering Memorandum of the scheme contain the information prescribed by the bank and that they are in a form acceptable to the bank.

Taxation

ICISs are subject to tax like any other legal entity (corporate tax). For the ICIS, it is significant that the

- ◆ Exemption from tax on foreign dividends
- ◆ Exemption from tax on profit from the sale of securities
- ◆ No withholding tax on income repatriation by the ICISs.

Following the recognition by the Central bank, the scheme will be designated as:

- ◆ A scheme to be marketed to the General Public
- ◆ A scheme to be marketed solely to Experienced Investors
- ◆ A Private International Collective Investment Schemes

Procedure

ICISs must be approved by the Central Bank of Cyprus (private only – public have to be approved by the Cyprus Security Commission).

In order to recognize the fund, the Central Bank must be satisfied that

- ◆ The directors, the promoters, the managers, and the trustee of the scheme

Services

Our office can assist in the registration of any International Collective Investment Scheme by providing the following services:

- ◆ Drafting the constitutional documentation and Offering Memorandum
- ◆ Drafting the application and participating in meetings until the recognition of the scheme
- ◆ Administration services

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