



Cyprus

as a funds centre

In the first of a new series, GC brings together two experts with a common interest. Here we speak to **Antonis Rouvas**, board member, advisory services, KPMG in Cyprus and **Viraj Kulkarni**, CEO and founder, Pivot Management Consulting, based in Mumbai, about the development and ambition of Cyprus as an international funds centre.

GC: How would you describe Cyprus' ambitions as a funds centre?

Antonis Rouvas: Over the last few years we have seen dramatic growth in the funds industry. To some extent this is because we started from a low base, but Cyprus has taken many steps in the right direction to put itself on the map, both for fund management and as a jurisdiction of choice for the funds themselves. It's not a jurisdiction that replicates any



other; it stands on its own. It's actually a hybrid between a number of jurisdictions. Let me clarify that Cyprus is not an offshore jurisdiction. It is onshore. As part of the EU, we have adopted all of its laws and regulations and have implemented a number of other specific laws and regulations to make Cyprus a very efficient jurisdiction. It has become the choice for a number of specific strategies.

GC: Viraj, with your headquarters in Mumbai, you're outside the EU. What is it that first attracted you to Cyprus and has your perception evolved since you first got involved there?

Viraj: It's a really interesting question. Over the last few years, Cyprus has recorded some astounding growth. The perception that prevailed in the minds of people regarding the issues of 2013 has gone. Last year when we decided to set up our sub-

sidiary company there, the decision drew on the fact that there was extremely good local talent, very professional. There was also a body, CIFA, which represented the fund management industry. The regulatory network was very good. We felt it created the necessary ambience for funds to feel secure coming through or into Cyprus. So, the regulatory framework is good, the KYC is strong. It's an EU country, it's a very competitive. The skillsets of people are

very high. The laws are Commonwealth laws and that adds to the sense of security. More importantly, the time zone in which it operates, especially from an Asian perspective, is well positioned for it to service Asian clients. In the last year, Cyprus has registered 400% growth in the number of investors that have come through the country into India. And we see this growing very fast. So, there are a lot of positives.

GC: Antonis, you hinted at specialisation. There are a lot of fund centres globally, not all competing in exactly the same areas for exactly the same business. Where do you see the fund industry in Cyprus specialising?

Antonis: Private equity is perhaps the number one perspective for which we see Cyprus funds being used. Private equity itself encompasses a wide range of strategies including different asset classes, but private equity in general is popular. Then, as Viraj mentioned, we see a number of international fund managers using Cyprus as a jurisdiction to channel their investments into India.

We also see hedge funds and family offices. A number of family offices from the Near East have Cyprus as a jurisdiction to set up. It's partly the geographical proximity, but what mostly attracts them is the stability of the jurisdiction, the legal certainties, and specifically the Common Law framework. Cyprus was a British colony until 1960 and one of the legacies of that is we use Common Law. Especially for private equity, the contractual flexibility that is afforded through Common Law is something only a few countries offer and now there will be one less in Europe with Brexit. On the other side of the coin, we see that UCITS is an area where Cyprus might not have the most significant advantage. UCITS type funds typically prefer Ireland and, to a lesser extent, Luxembourg.

Viraj: From Asia, India included, I'm looking at where I can get my investor to come in in a way that is safe, well regulated, competitive and politically stable. When

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ANTONIS ROUVAS, BOARD MEMBER, ADVISORY SERVICES, KPMG

we look at Europe, it's Cyprus, it's Malta, it's Ireland, and Luxembourg. Different funds have different structures and cost is also an important aspect. The investor is also interested in going through a jurisdiction that does not lead to a lot of additional scrutiny on the processes. Increasingly what we notice is that if a fund is coming from, let's say, Cyprus, country regulators feeling secure, because it has invested in KYC norms. Funds coming in from certain other jurisdictions may invite more scrutiny from the regulator in India than those coming from Cyprus. That's been our experience. The KYC norms are good, the laws are similar and it's very competitive.

GC: What areas do you think the Cyprus funds industry needs to focus on developing in the short term?

Antonis: Before I answer that, let me comment a little on something Viraj said. Cyprus offers credibility as a jurisdiction without compromising the flexibility that the fund manager has in their underlying strategies. We have a regulator that is both pragmatic and commercial. And we can engage in a constructive dialogue with the regulators.

On your specific question on areas where we need to improve, we must acknowledge that to be a competitive jurisdiction is not a destination, but a journey. And this is something we must constantly monitor – what are the latest developments taking place internationally? What are the demands of the investor community? What are the demands of the promoters of the fund? – to ensure that we do not remain static and continue to evolve and upskill the people.

We also need to be more proactive in promoting the jurisdiction internationally. We need to make Cyprus better known, es-

pecially in Asia and a number of countries where they are looking at alternatives to the traditional offshore jurisdictions. We need them to start seeing Cyprus as a credible option for them to set up a fund. This is an area where we have to do more work.

Viraj: As Antonis said, this is a journey and one that I would say has begun well. In my view, the footprints that Cyprus is creating definitely show that it is moving in the right direction. Having said that, for it to become more competitive – and I don't see why they can't achieve that – they need to have a few things in place. One is that a lot of big funds are attracted to countries that are FATF compliant. I don't see why over time Cyprus should not aim for FATF compliance, so the larger funds also start looking at Cyprus.

Our own experience of being on the ground has been that there are excellent providers in various segments. What's needed is an integrated solution, because funds deal with multiple types of providers, whether banks, custodians, consulting companies or tax specialists. This is an area where Cyprus can probably replicate some of the models in other parts of the world, because at the end of the day, investors or fund managers are looking at an integrated solution. It's happening, I'm sure, in the next couple of years, we will see strong progress. What it could also do is look at attracting international banks to have a presence locally.

Antonis: Just one final comment. By setting up a fund or a fund management entity in Cyprus, you automatically get the EU passport. This means you can market a fund set up in Cyprus or managed by a Cyprus fund manager anywhere within the EU. A number of UK firms as part of their Brexit preparations have set up Cyprus entities. Cyprus fund management entities can then delegate certain functions. Each case is unique. I think this is one of the key benefits of Cyprus. It has the stability to create bespoke structures that actually make sense in a wide range of business cases.

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