

# **Cyprus as a hub for Investment Firms and Payment Service Providers**

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# ***Presentation Outline***

- 1. Cyprus as a hub for Investment Firms***
- 2. Services Offered by Cyprus Investment Firms***
- 3. Basic Requirements for obtaining the Cyprus Investment Firm License***
- 4. Cyprus as a hub for Payment Service Providers***
- 5. Services Offered by Payment Service Providers***
- 6. Basic Requirements for obtaining the Payment Service Provider License***

# ***1. Cyprus: A European hub for Investment Firms***

- ▲ During the last 10 years, the majority of the Investment Firms in Europe are incorporated, authorized and operating from Cyprus.
  
- ▲ Main reasons for choosing Cyprus include the following:
  - i. Access to the biggest regulated market for providing investment and payment services, the European Union;**
  
  - ii. Reputable jurisdiction/ Transparent Regulator;**
  
  - iii. Costs and support system;**
  
  - iv. Taxation benefits;**
  
  - v. Capital Requirements.**

## i. Access to European Markets

- ▲ The Cyprus Investment Firm license granted by the Cyprus Securities and Exchange Commission is valid and enforceable in all EU Member States and countries of the European Economic Area (“EEA”).
- ▲ By obtaining a license in Cyprus, a firm is granted access to the markets of 30 more countries (EU and EEA).
- ▲ The provision of services to those countries can be effected through a simple cross-border notification to the Cyprus Securities and Exchange Commission and/or also through the establishment of a branch or tied agent in a member state.

## ii. Reputable Jurisdiction/ Transparent Regulator

- ▲ Cyprus Securities and Exchange Commission (“CySEC”) falls under the direct supervision of European Securities and Markets Authority.
- ▲ Cyprus Securities and Exchange Commission, as the supervisory body of a significant number of investment firms, is aware of the needs of the Investment Firms that are established and operating from within Cyprus.

## ii. Reputable Jurisdiction/ Transparent Regulator

- ▲ Cyprus Securities and Exchange Commission issues quite often circulars and announcements, which enable IFs to have a clear picture of their obligations, right and duties.
- ▲ Cyprus Securities and Exchange Commission is open to discuss with service providers and clients in order to resolve any queries and/or give clarifications.
- ▲ We maintain direct communication with Cyprus Securities and Exchange Commission as service providers.

## ii. Reputable Jurisdiction/ Transparent Regulator

▲ MiFID II (the second European Directive on Markets in Financial Instruments) has been adopted in Cyprus and will be implemented on January 3, 2017. MiFID II is considered one of the most robust pieces of regulation in respect to investment services and places high importance on investor protection. This makes investors to feel more comfortable and eager to start trading. It also enhances transparency and creates a level playing field for investment firms across Europe.

### iii. Costs and Support System

- ▲ Lower set up costs and operational costs than most European jurisdictions.
- ▲ The firm may subcontract various support systems (internal audit, regulatory reporting) for maintaining low fixed costs and to enable growth.
- ▲ Supported by a strong legal system.
- ▲ Availability of high quality, well trained personnel.
- ▲ Availability of highly qualified professional service providers and compliance advisors.



## iv. Taxation Benefits

- ▲ One of the lowest rate of taxation in the EU, 12.5%.
- ▲ Wide network of agreements for double taxation avoidance with 62 countries.
- ▲ Exemption from tax on dividends received (in most cases).
- ▲ Exemption of profits from trading in shares and other qualifying titles.
- ▲ No withholding tax on dividends & interest payment.

## v. Capital Requirements

- ▲ Capital requirement for a Cyprus Investment Firm wishing to operate as a broker: EUR125,000.
  
- ▲ Capital requirement for a Cyprus Investment Firm wishing to operate as an Organized Trading Facility (“OTF”): EUR125,000.

## v. Capital Requirements

- ▲ Capital requirement for a Cyprus Investment Firm wishing to operate as a principal/Dealing on Own Account: EUR730,000.
- ▲ Capital requirement for a Cyprus Investment Firm wishing to operate as a Multilateral Trading Facility (“MTF”): EUR730,000.

## 2. Services Offered by Cyprus Investment Firms

**Cyprus Investment Firms can provide the following investment services:**

- ▲ Reception and transmission of orders in relation to one or more financial instruments;
- ▲ Execution of orders on behalf of clients;
- ▲ Dealing on own account;
- ▲ Portfolio management;
- ▲ Investment advice;

## 2. Services Offered by Cyprus Investment Firms

- ▲ Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
- ▲ Placing of financial instruments without a firm commitment basis;
- ▲ Operation of a Multilateral Trading Facility;
- ▲ Operation of an Organized Trading Facility.

## **2. Services Offered by Cyprus Investment Firms**

**Cyprus Investment Firms can provide the following ancillary services:**

- ▲ Safekeeping and administration of financial instruments;
- ▲ Granting credits or loans to an investor;
- ▲ Advice to undertakings;
- ▲ Foreign exchange services;
- ▲ Investment research;
- ▲ Services related to underwriting

### **3. Basic Requirements for obtaining the Cyprus Investment Firm License**

#### **Requirements:**

1. Physical Office in Cyprus
2. Minimum number of employees: 6
  - 2 Directors (Cyprus based)
  - 1 Compliance & AML Officer (Cyprus based)
  - 1 Dealer (Cyprus based)
  - 2 Non-Executive Directors

Timeframe for obtaining the license: 4-6 months

## **4. Cyprus: A European hub for Payment Service Providers**

- ▲ During the last 10 years a rising number of Payment Service Providers are authorized and operating from Cyprus.
  
- ▲ Main reasons for choosing Cyprus include the following:
  - i. Access to the biggest regulated market for providing investment and payment services, the European Union;**
  
  - ii. Reputable jurisdiction/ Transparent Regulator;**
  
  - iii. Costs and support system;**
  
  - iv. Taxation benefits;**
  
  - v. Capital Requirements.**



## i. Access to European Markets

- ▲ Payments Institutions and Electronic Money Institution licenses granted by the Central Bank of Cyprus are valid and enforceable in all EU Member States and countries of the European Economic Area (“EEA”).
- ▲ By obtaining a license in Cyprus, a Payment or Electronic Money Institution is granted access to the markets of 30 more countries (EU and EEA).
- ▲ The provision of services to those countries can be effected through a simple cross-boarder notification to the Central Bank of Cyprus.

## ii. Reputable Jurisdiction/ Transparent Regulator

- ▲ The Central Bank of Cyprus (“CBC”) acting as a prudent regulator of a rising number of Payment Services Providers provides guidance and continuous supervision.
- ▲ The Central Bank of Cyprus maintains an open line of communication with licensed payment service providers and clients in order to promote transparency and clarifications.
- ▲ Our firm is in a daily communication with the Central Bank of Cyprus in order to eliminate bureaucratic obstacles and assist each individual client.

## ii. Reputable Jurisdiction/ Transparent Regulator

▲ PSD II ( the revised European Payment Services Directive) will be implemented on January 13, 2018. PSD II opens up a new world where the bank and payment services used by business and consumers can be easily integrated into the offerings of other providers. This will give access to account data and payment options that previously were only accessible via a bank. This opens up a whole range of possibilities.

### iii. Costs and Support System

- ▲ Lower set up costs and operational costs than most European jurisdictions.
- ▲ The firm may subcontract various support systems (internal audit, regulatory reporting) for maintaining low fixed costs and to enable growth.
- ▲ Supported by a strong legal system.
- ▲ Availability of high quality, well trained personnel.
- ▲ Availability of highly qualified professional service providers and compliance advisors.

## iv. Taxation Benefits

- ▲ One of the lowest rate of taxation in the EU, 12.5%.
- ▲ Wide network of agreements for double taxation avoidance with 62 countries.
- ▲ Exemption from tax on dividends received (in most cases).
- ▲ Exemption of profits from trading in shares and other qualifying titles.
- ▲ No withholding tax on dividends & interest payment.

## v. Capital Requirements

▲ Capital requirement for a Payment Service Provider wishing to operate as a Payment Institution: EUR125,000.

▲ Capital requirement for a Payment Service Provider wishing to operate as an Electronic Money Institution: EUR350,000.

## **5. Services Offered by Payment Service Providers**

**Payment Institutions can provide the following payment services:**

- ▲ Services enabling cash deposits;
- ▲ Services enabling cash withdrawals;
- ▲ Execution of payment transactions;
- ▲ Issuing and/or acquiring of payment transactions;
- ▲ Money Remittance.

## ***Services Offered by Electronic Money Institutions***

**Electronic Money Institutions can provide the following payment services:**

- ▲ Maintain an electronic device for placing e-money;
- ▲ Maintain an electronic instrument for distribution of e-money;
- ▲ Exchange monetary value for distribution of e-money;
- ▲ Distribute e-money;



## ***Services Offered by Electronic Money Institutions***

- ▲ Place e-money in circulation;
- ▲ Sell or resell e-money products;
- ▲ Renew value of e-money;
- ▲ Redeem e-money.

## **6. Basic Requirements for obtaining the Payment Service Provider License**

### **Requirements:**

1. Physical Office in Cyprus
2. Minimum number of employees: 6
  - 2 Directors (Cyprus based)
  - 1 Compliance & AML Officer (Cyprus based)
  - 1 Risk Manager (Cyprus based)
  - 2 Non-Executive Directors

Timeframe for obtaining the license: 4-6 months

***Thank you***

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