



KPMG fund services practice

Fund Services

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Introduction

KPMG in Cyprus has been actively involved in the funds industry for more than 20 years. Our Fund Services Practice:

- is a market leader in the Fund's industry in Cyprus
- audits a number of fund administrators and fund custodians (mainly banks) in Cyprus
- has assisted in obtaining recognition of a large number of Alternative Investment Funds and Alternative Investment Fund Managers (AIFMs)
- has expertise in the authorisation of UCITS and UCITS Management Companies
- is an expert in the registration of Cyprus Investment Firms (CIFs),
- offers advisory services to the supervisory authority in the areas of capital adequacy (Basel II and Basel III).

KPMG professionals are dedicated in providing a valuable service since they have an in-depth understanding of the industry. They are frequent speakers in industry conferences, as well as authors of articles published in a number of fund journals. Further, they frequently participate in discussions with the regulatory authorities to implement fast and efficient procedures and improve the end product which Cyprus has to offer.

Our firm is part of a network of specialists which spreads across 146 countries and territories, using a consistently high-quality methodology for their work. With more than 850 employees in Cyprus, including 45 partners, we have the resources necessary to provide fresh strategies and approaches to help meet your most complex challenges throughout the lifecycle of your fund.

KPMG operates through fully integrated teams that include professionals across our Audit, Tax and Advisory practices who combine a wide range of skills and experience tailored to meet the individual requirements of our clients. All teams have a rich experience and commitment, ensuring that clients will be working with professionals that understand them, their needs and the market.

This brochure focuses on the services our firm provides to clients in the funds industry.



How can KPMG help?

KPMG offers a wide range of services with the ambition to provide our clients with a 'one stop service' for all funds in order to facilitate, accelerate and simplify the process of setting up and managing such vehicles. We aim to provide you with a tailored service of the highest standard.

Audit Services

Our audit approach is tailored to suit the size and nature of the fund and draws up on our extensive industry knowledge.

Our statutory audit provides assurance on the truth and fairness of the funds' financial information; advice on controls and processing system weaknesses; confirmation of accounting treatments with respect to complex transactions; and specifically addresses any other regulatory reporting requirements.

In addition to the independent audit we offer advisory services in the areas of financial reporting, regulatory compliance, independent controls and risk assessment.

Our Services include:

- Audit of the statutory annual financial statements based on International Financial Reporting Standards (IFRS) as adopted by the European Union that comply with the applicable law and the local reporting requirements
- Compliant reporting and other regulatory reporting for clients, such as review of half-yearly reports as required by the regulatory authorities
- Assist in translating annual financial statements into Greek for submission to the Registrar of Companies as required by the Cyprus Companies Law
- Consultation on audit and accounting matters.

Tax Services

Our tax services team formulates effective strategies for optimizing taxes, implementing innovative tax planning and effectively maintaining compliance. It guides clients through the full spectrum of fund tax issues, tax effects of trading strategies and private offering memorandum language.

Our locally based team of tax professionals works closely with our global connections to deliver the services and industry insight our clients expect from their tax advisors. Our focus is on impeccable guidance, both during start-up and throughout ongoing operations.

Our Services include:

- Fund structuring and transaction analysis
- Preparation and submission of corporate tax returns
- Tax due diligence services examining and ensuring the correct implementation of the relevant laws
- Reports that address and aim to detect and correct issues that may violate tax laws, as well as provide alternative solutions to management so as to be updated on the possible tax implications that may arise and deter the possibility of omissions in the future
- International tax planning and implementation of cross-border investments and transactions with the best possible tax management, fully taking advantage of the provisions of the European acquis.

Indirect Tax Services

Through its long presence in the VAT field and by constantly monitoring all VAT developments, both at national and EU level, along with keeping abreast of any decisions released by the European Court of Justice and the Cyprus High Court on VAT issues, our Indirect Tax team has gained in-depth knowledge and experience in the financial services sector, including all categories of funds. KPMG's VAT team can therefore provide VAT assistance across the entire spectrum of funds, whether falling within the concept of mutual funds, as per article paragraph 3 (f) of Table B, Schedule 7 of the Cyprus VAT Act (i.e. UCITS) or not. The assistance covers analysing the funds' trading activities extending, where necessary, to VAT registration and compliance issues. Moreover, our constant liaising with the local Tax Authorities ensures the maximum level of protection for clients involved in the funds industry.

Regulatory Services

KPMG can assist you in obtaining regulatory approval for your investment vehicle and project management of the fund set-up. Our aim is to offer our clients from wherever they are based a one-to-one solution for the set-up of funds in Cyprus.

KPMG can also act as the point of contact for the client and liaise with the regulatory authorities as well as all the prospective participants be the banks, central administrators, accounting service providers, and custodians.

Our expertise goes beyond the registration process and regulatory approval of new funds, which is a relatively straightforward procedure.

Our team of in-house legal counsel assists funds on all legal aspects of the subsequent operations and in the on-going day-to-day impact of Cyprus applicable laws on such operations. Further, our legal team consistently monitors changes in regulation and can identify opportunities as well as challenges that may present themselves.

Our Services include:

- Design and build the fund structure based on your and the investors' specific needs
- Assist with drafting the Constitutional Documents – Memorandum & Articles of Association, Partnership Agreement, Trust Deed, Management Regulations etc. – and undertake the fund's registration with the relevant authorities
- Assist with drafting the Offering Memorandum
- Complete the application form(s) as well as any relevant and required checklists of the regulatory authorities
- Guide you in providing all the necessary documentation and liaise on your behalf with the regulatory authorities
- Identify service providers (fiduciary, administrator, custodian, etc.) and facilitate the agreement between them and the fund
- Set-up and structuring of the fund's Components and Special Purpose Vehicles (SPVs) for conducting investments, if applicable.



Advisory Services

KPMG also provides a full range of business advisory services for both large organizations and independent advisors in the investment fund business. These services are applicable throughout the lifecycle of a fund and allow management companies to gain assurance over the operation of their organisation.

Risk & Compliance / Transactions & Restructuring

KPMG works with management across organisations to help them better profile their risk exposures and develop robust control systems and measures. Our experienced Risk & Compliance specialists offer timely and practical advice in mitigating risk and enhancing opportunity. At the same time, our Transactions & Restructuring professionals can help you seize growth opportunities and generally support your company's business strategy and financial administration.

Internal Audit, Risk and Compliance Services (IARCS)

Assurance must be provided to the management company and the investors that critical business issues as well as existing and potential risks are being effectively controlled; opportunities are identified and capitalized upon; that potential losses and fraud can be prevented - not just detected after the fact.

Our IARCS team delivers services that help our clients manage strategic risks and identify industry best practices as well as cost reduction and profit improvement opportunities. KPMG's IARCS also helps organizations benefit

from a risk-based strategy by working with them to transform their internal audit function from a traditional, transaction-based role to one that can deliver strategic business information.

We focus on the evaluation of the adequacy and effectiveness of the design of internal controls in order to provide organisations' management with value enhancing recommendations for improvement. Our teams are multidisciplinary, drawing from other service lines as-needed to feature professionals experienced in financial and operational internal auditing, IT, data analytics, fraud analytics and risk assessment.

Our Services include:

- Internal Audit function outsourcing / co-sourcing
- Review compliance as to the implementation of the provisions of the relevant law
- Set procedures according to the provisions of the relevant law, the fund's Internal Policies and the regulatory authorities' Policy Statements and Guidelines
- Develop Policies & Procedures manuals aligning the fund's multiple and often divergent governance, risk and compliance activities to the organisation's strategy and business model with the intention of driving performance and resilience
- Conduct review of the fund's controls and provide recommendations as to introducing measures that need to be undertaken in the Internal Control environment and communication procedures

- Conduct an enterprise risk assessment, evaluating the current state of risk management practice and the development of a practical road map for achieving the desired risk management end-state
- Review existing risk management and governance processes of the fund, and identify areas for improvement and cost efficiencies.

Financial Risk Management (FRM)

KPMG's financial risk management specialists help investment firms and funds, in Cyprus and abroad, make the most out of business and financial risk by not only identifying, assessing, managing, reporting on and mitigating the risks they face, but also by providing guidance regarding the nature of risks they could further take up within their reach to provide impetus to their business growth.

Our team of professionals analyses the consistency of a client's risk management framework with the defined risk strategy. We offer a critical assessment of the implementation of risk strategy in all areas of a client's business, while keeping in mind all relevant regulatory requirements. Also, we help clients to design and implement an effective risk management framework and infrastructure, thus, optimising the use of risk capital, risk methods, processes and systems.

KPMG in Cyprus has the only advisory department on the island that has a unit solely dedicated to the provision of advisory services to financial institutions with relation to compliance, financial risk management, Solvency II and Basel II / Capital Requirements Directive (CRD) compliance services.

Our Services include:

- Prepare and / or review the fund's investment policy
- Set the investor risk appetite of the fund
- Design a reporting and governance framework
- Review existing risk management and governance processes of the fund, and identify areas for improvement
- Set up quantitative measures for the management of credit market liquidity and concentration risk.

Transactions & Restructuring (T&R)

Our objective is to support the development and growth of our clients by assisting them in landmark decisions such as strategic planning, raising finance, restructuring and assessment of acquisitions through to operational integration of a transaction.

KPMG's Transactions & Restructurings department is staffed by personnel who have the professional expertise in the following areas:

- Corporate Finance, that helps clients to maximise their corporate value, while minimising their financial risks, through mergers and acquisitions, disposals of subsidiaries, public private partnerships and other transactions
- Transaction Services, that assists clients throughout each phase of a deal process for all types of transactions
- Restructurings, that helps underperforming companies or healthy companies with underperforming divisions, improve their financial and operational performance



- Forensic Services, which involves the undertaking of investigations on behalf of clients for various business issues and disputes.

Our advisors can help management companies plan and implement strategic and financial strategies that allow them to respond to the market's needs and guide them to a desirable financial growth.

Our Services include:

- Provide Equity and Debt Capital Advisory / Procurement / Solicitation
- Assist on valuation and accounting treatment of different financial instruments
- Assist during the acquisition of new investments as well as the divestment of existing investments; this can include due diligence, structuring advice and contract assistance

- Set up cross-border mergers or liquidation of funds
- Exit planning and implementation
- Fund listing and re-domiciliation.

Performance & Technology

KPMG's Performance & Technology Services group has strong experience in assisting management companies and administrators in managing and monitoring performance by enhancing their efficiency and taking advantage of opportunities arising from technological innovation, changes in regulation, trends and economic conditions, while maintaining compliance. Our experienced professionals combine strong business and technical capabilities with relevant industry experience and the ability to offer practical, useable advice.



IT Advisory

Our IT Advisory team focuses on the risks inherent in the technology systems used to support our client's business objectives and on utilizing technology to achieve business goals. IT Advisory in Cyprus is a multi-disciplinary team ranging from security specialists, project management practitioners, business process specialists, controls specialists and accountants. Our objective is to assist clients to automate business process and manage IT outsourcing, define business requirements for the implementation of information systems, implement and assess security controls, achieve business continuity and utilize information for enhanced reporting and a meaningful decision process.

Our Services include:

- Assist in the design and implementation of an IT Architecture and automation of business processes
- Assist / manage IT sourcing and outsourcing arrangements
- Develop and implement Information Security Policies and an Information Security Program (e.g. based on ISO 27001 / 27002) to safeguard information assets
- Perform Information Security assessments / Penetration Testing
- Develop and implement Business Continuity and Disaster Recovery Plans
- Assess the organisation's internal control environment with regards to infrastructure, business applications and IT processes
- Perform IT Audit reviews
- Assist clients to perform data analytics via the use of specialized tools

- Assist clients to satisfy stakeholder expectations by delivering assessments that can provide comfort to clients and their business partners through distributable reports such as SAS70 / ISAE 3402
- Develop a Business Intelligence framework / model and implement the required Business Intelligence technology solution to transform data into knowledge.

People and Change

The People and Change team assists organizations in building an effective and integrated Human Resources system by helping them to design, implement and maintain the basic components of such a system. Furthermore, we assist organizations to nurture their human talent and skills by developing a new approach to managing human capital.

Our Services include:

- Perform Executive Search and Selection Services (Recruitment)
- Prepare Personnel Profile and Training Needs Diagnostic
- Develop HR Systems, HR Policies and Procedures, and / or Performance Appraisal and Evaluation Schemes.

Management Systems

The Management Systems team assists our clients in establishing and documenting effective procedures and developing management systems that meet their needs while at the same time complying with the national law and various internationally recognized standards or specifications.

Our Services include:

- ISO 9001: 2008 Quality Management Systems
- ISO 14001: 2004 Environmental Management Systems / Eco-Management and Audit Scheme (EMAS)
- ISO 2200: 2005 (HACCP) - Food and Safety Hygiene Systems
- OHSAS 18001: 2007 - Occupational Health and Safety Management Systems
- Conduct Internal Audits for Management Systems
- Develop an Anti Money-Laundering Procedures Manual within the context of the law, for the prevention and suppression of money laundering activities and terrorist financing.

Business Performance Services

The Business Performance Services team delivers services that aim to help our clients enhance the efficiency and effectiveness of their processes to improve performance and grow sustainable value. KPMG can help an organization by identifying and implementing improvement opportunities through a multidisciplinary team combining, equally, industry expertise and technical knowledge.

Our Services include:

- Develop a Performance Measurement model
- Develop an approach for Budget, Forecasting and Financial Modelling
- Assist in Business Process Outsourcing, Process Improvement and Cost Management, and / or Project Management.

KPMG's integrated solution

Fund Set-Up	<ul style="list-style-type: none"> • Regulatory & Tax Structuring • Application Process with the Cyprus Securities and Exchange Commission (CySec) of Cyprus • Private Offering Memorandum Preparation / Review • Investment Policy Preparation / Review 	<ul style="list-style-type: none"> • Identification of and negotiation with Service Providers • Contract Assistance • Preparation of Policies and Procedures Manuals • Design Corporate Governance Framework • Assist with Re-Domiciliation Process
Ongoing Operations	<p>Capital Raise</p> <ul style="list-style-type: none"> • Equity Capital Advisory / Procurement / Solicitation • Debt Capital Advisory / Procurement / Solicitation • Fund Listing on a Recognised Stock Exchange <p>Investments</p> <ul style="list-style-type: none"> • Buy-Side Due Diligence • Investment Valuation • Investment Structuring Advice (Regulatory & Tax) • Contract Assistance • SPV Establishment • Portfolio Management and Optimisation Strategy • Management of Credit Market Liquidity and Concentration Risk 	<p>Operations</p> <ul style="list-style-type: none"> • Annual Audit of Financial Statements • Regulatory and Compliant Reporting (annual and half-yearly) • Tax Planning and Compliance • Internal Audit Outsourcing / Co-Sourcing • Risk Management and Governance Processes • Organisational Systems, Processes, Transactions and Controls • Governance, Risk and Compliance • Enterprise Risk Management • IT Systems, Processes and Controls • HR Systems, Policies and Procedures • Information Security Policies • Business Continuity and Disaster Recovery Plans • Anti-Money Laundering Procedures Manual
Fund Wind-Up	<ul style="list-style-type: none"> • Divestments / Sell-Side Due Diligence • Liquidation of the Fund 	

Our people

Professionals currently employed have degrees from the United States, Canada, United Kingdom, France, Germany, Luxembourg, Russia and Greece and can work in Greek, English, Russian, German and French languages.

Training and Development

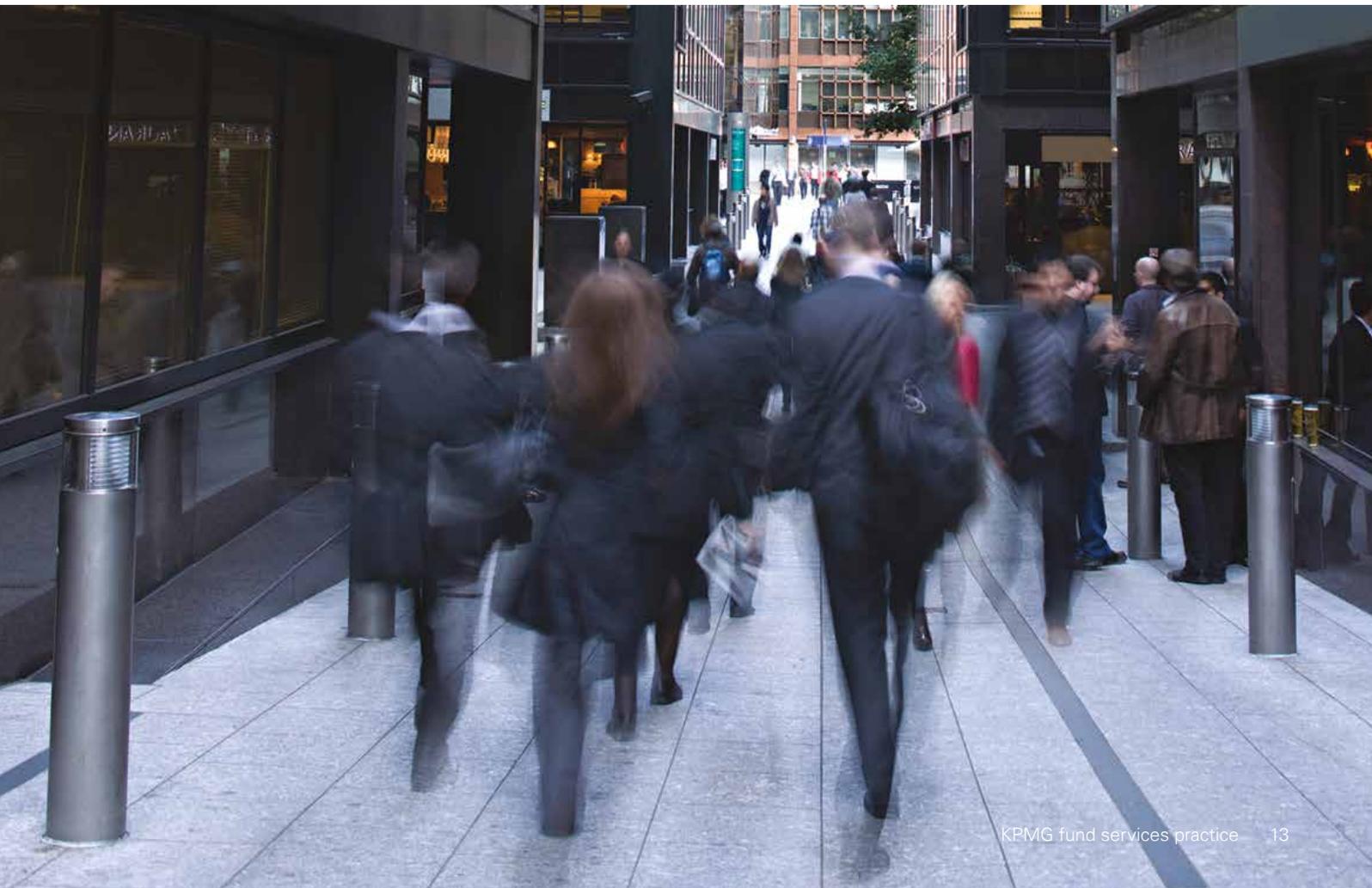
The principles of quality, transparency and short-line communications form the foundation for an informal and inspiring culture. This culture stimulates the search for pragmatic solutions to complex legal and tax issues. KPMG pays particular attention to education and training and to creating an exciting and challenging work environment, whereas we measure our success by what we achieve for our clients, which means putting the very best people on our client teams.

Resources

We need our people to respond swiftly and effectively; to be for our clients the key to our wealth of global experience, wherever they may be in the world. We invest strategically in state-of-the-art IT communications and knowledge management systems to help us deliver results on time.

Committed to our clients' success

We believe in bringing our clients to the centre of everything we do and positioning ourselves at the heart of their business. This enables us to fulfil our role of providing advice based on a thorough understanding of their objectives.





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