



The Registered Alternative Investment Fund

Fund Services

May 2023

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Table of contents

Choosing Cyprus	4
The Registered Alternative Investment Fund (RAIF)	5
Key features of the RAIF	6
The RAIF and the umbrella structure	7
Main characteristics and key players	8
Registration procedure of the RAIF	9
Why KPMG Cyprus	10

Choosing Cyprus



1. **Passport to Europe and established connections to diverse investor markets**



2. **Cost-effective jurisdiction**



3. **Sophisticated business infrastructure to support the industry**



4. **Advantageous tax system**



5. **Strong legal system**



6. **Strategic location and an ideal place to live**



7. **Professional acumen in international structuring**



8. **Open market economy with highly qualified multi-lingual professionals**

International expertise

Cyprus has a strong network of financial and professional service providers who have highly skilled, educated and multilingual teams specialised in servicing the funds industry. They offer a wide range of customised services in fund and asset acquisition and disposal structuring, fund administration, custody, audit and other related services.

Advanced and attractive tax environment

Cyprus has one of the lowest corporate income tax rates in the EU and the Eurozone, while being compliant with the EU Directives and OECD requirements. Fund management services offered to authorised funds are in principle exempted from VAT. Cyprus offers numerous and significant options for international tax planning, both at a corporate and individual level, with an extensive Double Tax Treaty network with 64 countries.

Strong cooperation between sectors

Cyprus operates in a close working relationship between the business community and the Government, while the latter has a policy of openness for the various market participants.

Continuous upgrading of the infrastructure in airports, ports and telecommunications and easy access from air and sea

Competitive, modern and transparent legal and regulatory framework combined with the flexibility of a small jurisdiction

Redomiciliation laws are in place, as well as rigorous anti-money laundering laws and regulations, which attribute to Cyprus the status of a fully FATF compliant jurisdiction. The cost of registration and operation is extremely competitive, compared to other jurisdictions.

The Registered Alternative Investment Fund (RAIF)

Cyprus has added a new fund structure to the existing broad range of investment vehicles available in the alternative investments market, the Registered Alternative Investment Fund (RAIF).

The RAIF must always be externally managed. It has the characteristics and structuring flexibilities of regulated Alternative Investment Funds (AIFs), except that it is not subject to prior regulatory approval but only mere registration before it can be launched and carry out its activities. Indirect supervision of the RAIF is nevertheless ensured by the competent supervisory authority through its appointed authorised External Manager.

As such, the RAIF is attractive to sophisticated investors who do not need direct regulatory supervision of the fund.

Quick and cost-efficient

fund launch: Within one month from the date of filling of duly completed application, the CySEC may instead of will proceed to include the AIF in the list of Registered AIFs.

No double layer of regulation of the Manager and the Fund:

This is what clearly sets the RAIF apart from the other AIF structures.

Structuring flexibility: may be organised in any legal form available under Cyprus Law (investment company with fixed or variable capital, limited partnership or common fund). It can be open or closed-ended.

Attractive Tax regime: At the level of the Fund, gains from buying and selling securities are tax exempt, as well as real estate located abroad. This is not applicable for immovable properties in Cyprus. Interest income is reduced by a notional interest deduction on Funds Invested in the Fund, reducing in the effective tax on interest to 2,5% taxation (subject to conditions). Furthermore, a new provision for carried interest taxation not to exceed 8% was recently introduced.



Key features of the RAIF



Marketing passport for EU professional investors

Institutional investors including large corporations, insurers, funds, pension funds and banks.



Depositary

The RAIF should appoint a depositary that will perform the below duties:

- Monitoring of the cash inflows and outflows of the AIF
- Safe-keeping function
- Duty of Oversight.



Eligible Investments

Can invest in any type of assets (except it cannot be established as a money market). Also, loan origination strategies are subject to restrictions.



Eligible Investors

Institutional / professional / sophisticated retail (minimum investment: € 125.000).

The RAIF will have access to a passport enabling it to be sold to professional investors across the EU.

Investor marketing materials (the Prospectus or Placement Memorandum) will need to meet AIFMD requirements.

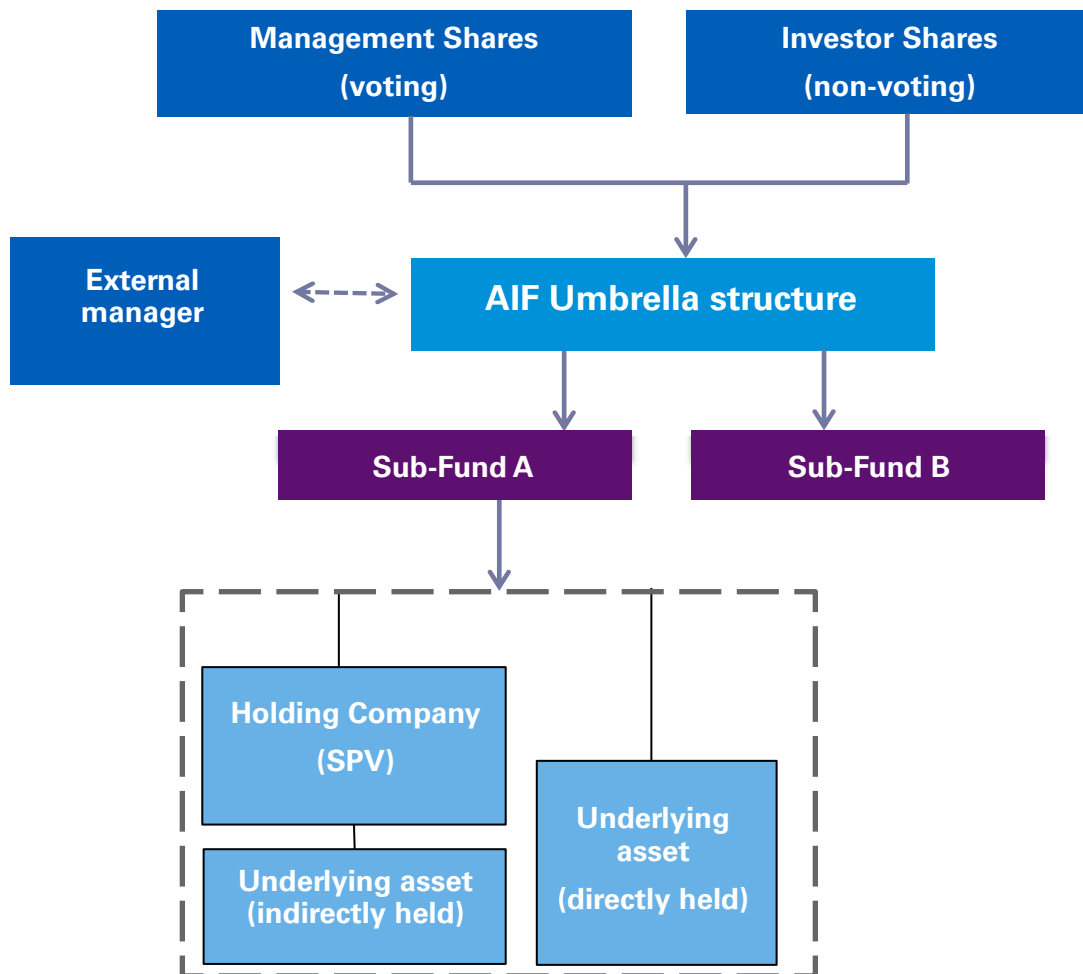


External Manager

Full scope AIFM located either in Cyprus or in another EU Member State or in a third country once the AIFMD passport is available for third countries.

Other eligible managers: Such as a sub-threshold AIFM which is subject to prudential regulation, a MiFID Investment Firm and UCITS management company established in Cyprus or any EU Member State, provided among others that the RAIF instead of such AIF takes the form of a closed-ended limited partnership and invests more than 70% in illiquid assets.

The RAIF and the umbrella structure



- The RAIF may be set up as an umbrella fund which creates separate sub-funds (Compartments) under the roof of a single legal entity.
- Initially, one Compartment may be set up. More Compartments can be added at a later stage.
- The RAIF may invest through direct holding, or it is possible to invest through SPV's.
- The Compartments function as independent entities, each with its own investment policy, target distribution market and investor profile.
- The assets and liabilities of each Compartment are ring-fenced.
- Finally, each Compartment may be dissolved or liquidated separately without affecting the operations of the other Compartments.

Main characteristics and key players

	Registered AIF
Limitation on No. of Investors	Not applicable
Investor Profile	Professional / Well-Informed
Legal Forms	Investment Company, Limited Partnership and Common Fund
Umbrella Structure	Possible
External Manager	Yes. The RAIF always need to have an external manager
Minimum share capital	Not applicable
AuM	€500.000 within 24 months
Board of Directors requirements	At least two Directors



External Manager	Administrator
<ul style="list-style-type: none"> • Management of the AIF's portfolio and of the risks associated with the operation of the AIF. • Administration and Marketing functions (usually delegated). 	<ul style="list-style-type: none"> • Providing administrative, accounting, bookkeeping services; • Registrar services (i.e. processing of subscription requests); • Calculating NAV.
Depository	
Oversight Duties	Cash Monitoring
	Safekeeping of Assets

Registration procedure of the RAIF

In the course of the Registration of an Alternative Investment Fund, the external manager of the RAIF, within one month from the date of the incorporation/registration of the RAIF with the Registrar needs to submit the following documents and data:

Application Form:

1. Certificate of incorporation/registration of the RAIF (as and where applicable)
2. Information as to the investment strategies and the external manager's policy as regards the use of leverage, the risk profile and other characteristics of the RAIF
3. The memorandum and articles of association, partnership agreement or regulation of the RAIF (as appropriate)
4. Information on the arrangements made for the appointment of a Depositary
5. The Offering Memorandum of the RAIF
6. In case the External Manager originates from a Member State other than the Republic, the relevant authorisation for the management of AIFs (not being restrictive to the management of an AIF of the Republic) and (where applicable) prior compliance with the AIFMD notification procedure
7. Confirmations by the external auditor and legal advisor of the RAIF
8. Confirmation by the promoter of the application (as applicable).

Within one month of receipt of a complete application and after CySEC verifies whether the authorisation of the external manager also covers the management of the RAIF and its investment strategy and policy, the CySEC shall insert the name in the RAIF Registry.

Why KPMG Cyprus

Our integrated solution

We offer a wide range of services in order to facilitate and simplify the process of setting up and managing fund vehicles.

- Assistance in set-up and structuring;
- Acting as promoter of the client's entire application and liaising with the regulatory authorities, as necessary;
- Assistance with drafting of constitutional documents and private offering memorandum/prospectus;
- Design of corporate governance framework and preparation of internal operations manual;
- Advising for PRIIPs regulation and assisting on KID preparation;
- Assistance with re-domiciliation of funds.

- Bespoke services;
- Internal audit, risk and compliance services;
- Financial risk management;
- Transactions and restructuring;
- IT Advisory;
- Business performance services;
- Technology powered services;
- AIFMD Reporting;
- Risk management and reporting;
- Automation of procedures.

Regulatory
Services

Advisory
Services

Asset
Management
Services

Audit
Services

Tax
Services

- Audit of the statutory annual financial statements based on IFRS;
- Compliance and regulatory reporting for clients;
- Consultation on audit and accounting matters.

- Fund structuring and transaction analysis;
- International tax planning and implementation of cross-border investments and transactions;
- Preparation and submission of corporate tax returns;
- VAT services in relation to fund providers and VAT compliance.



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