

Cyprus – Registered Alternative Investment Funds Update

We would like to inform you that the Cyprus Securities and Exchange Commission ("CySEC") has published an announcement reiterating the legal and regulatory framework applicable to Registered Alternative Investment Funds ("RAIFs"). This has been done in an effort on behalf of CySEC to rectify various announcements and publications made from various RAIFs which contained erroneous information as to the regulations applicable to them.

CySEC has reiterated that RAIFs are governed by the Alternative Investment Funds Law of 2018 ("**AIF Law**"), and specifically part VIII of the AIF Law which deals with RAIFs. It is noted that:

- the fund rules or constitutional documents must expressly provide that they are subject to the provisions of Part VIII of the AIF Law;
- RAIFs must be externally managed by an authorised manager; and
- RAIFs can only be marketed to professional or well-informed investors, not retail investors.

Notwithstanding that RAIFs do not require CySEC's approval in the sense of formal authorisation, in order to operate, they must nevertheless be registered in CySEC's register of RAIFs, as required by article 138 of the AIF Law. The detailed procedure and documentation requirements are set out in article 138(2) of the AIF Law, CySEC Directive DI124-01 and CySEC Circular C285.

It was also noted that Article 10 of the Alternative Investment Fund Managers Law of 2013, as amended, ("**AIFM Law**"), requires managers of AIFs to notify CySEC in advance of any material changes made to the conditions for initial authorization, and to provide CySEC the information specified in article 7(2) of the AIFM Law. As such, this requirement is also relevant to RAIFs.

Lastly, CySEC indicated that the references to "unregulated structures" that are advertised by certain market participants should be disregarded, and that any promotional material which includes such terms must be corrected. RAIFs are indeed regulated, albeit indirectly through their managers. The manager must comply fully with the provisions of the AIFM Law (or other relevant provisions of the legislation, if not an AIFM) and of the AIF Law concerning the principles of risk management, conflicts of interest, liquidity management, remuneration, valuation, the appointment of depositary and the exercise of due diligence to ensure that investors' rights are protected.

The content of this Newsletter is intended to provide general guidance only. Expert advice should be sought for your specific circumstances. Our team of highly experienced professionals can advise you further on the basis of your particular facts and circumstances. Please feel free to contact Mr. George Vrikis at vrikis@vrikislegal.com to discuss how we can be of assistance to you.

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