

FINANCIAL SERVICES & REGULATION



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Introduction

There is a complex and dynamic interplay between the financial markets, the services they provide and the law which applies to them. Any new development, whether technological, political or financial, will quickly ripple out to affect every part of the market to some degree. From fintech, cryptocurrencies and crowdfunding, through political developments such as Brexit, to the ever-increasing monitoring of market participants, this interaction is evident in the constant stream of new or updated EU and domestic legislation on banking, investment, insurance and payments services and capital markets.


As a member state of the European Union, Cyprus is governed by the EU legislative framework. The EU's endeavours to provide an open and competitive market by aligning the laws of member states and safeguarding the freedom of services and the freedom of establishment have produced a well-regulated, attractive, modern regulatory regime for financial services in Cyprus, with sound market practices and oversight. There is a level playing field in which the interests of all market participants, whether consumers or producers, are safeguarded and on which a full range of financing transactions can take place.

Banking and prudential regulation

The Capital Reserves Regulation (EU) No 575/2013 is directly applicable in Cyprus and the provisions of the Capital Requirements Directive IV have been fully transposed into the Cyprus Business of Credit Institutions Law. These constitute the basis for the provision of banking services by authorised Cyprus-, EU- and third country credit institutions.

Banking services and financing tools

The laws and regulations governing the provision of banking and ancillary services by authorised credit institutions are designed to provide the fullest range of financial products for savers and borrowers while promoting responsible lending and striking an appropriate balance between the interests of banks and their customers, and are constantly updated to ensure they are fit for purpose. For example, the Financial Leasing Law of 2016 introduced new financing options for borrowers. The 2018 amendments to the Transfer and Mortgage Law and the updating of foreclosure procedures remove ambiguities and reduce delays, thus strengthening certainty and credit, the basic element underpinning the smooth operation of money markets in the contemporary global environment.



The advantages are greatly enhanced by Cyprus' well-understood common law system and its unique tax benefits

Securitisation

The covered bond regime, which was previously the only framework under which securitisations could take place, was regarded as inadequate since it was open to only the largest credit institutions. In July 2018 a new law governing securitisations was enacted to fill the gap. It establishes a straightforward, modern framework for debt securitisation based on accepted market practices and supervised by the Central Bank of Cyprus. It is expected to result in a substantial increase in the use of securitisation options and structures.

Payment services and accounts

The Cyprus regime on payment services follows the corresponding EU legislation, particularly the Payment Services Directive 2015/2366 and the Regulations governing the Single Euro Payment Area (Regulations (EU) 260/2012 and (EC) No 924/2009). There is a sound and reliable legal and regulatory infrastructure that provides for the freedom of services and promotes cross-border trade for all users of payment services in or from Cyprus. Moreover, its implementation of the regulatory regime on E-money and E-money institutions under EU Directive 2009/110/EC has made Cyprus a leading jurisdiction in which to establish E-money businesses.

Investment services and capital markets regulation

Over the years Cyprus has developed into a regional hub for authorised investment firms servicing clients not only from Cyprus and the rest of the EU, but also from around the world, and has attracted hundreds of investment companies. Cyprus' consistent and clear capital markets regime offers unbeatable opportunities for debt and equity financing transactions.

The provision of investment services is governed by the new Investment Services Law of 2018, which implements the changes resulting from the Markets in Financial Instruments Regulation (EU) 600/2014 (MiFIR) and the MiFID II Directive 2014/65/EU. The Investment Services Law is supplemented by detailed secondary legislation and directives issued by the Cyprus Securities and Exchange Commission. Post-trade services and respective rights and obligations for market players and participants are regulated and detailed in the provisions of the EMIR Regulation (EU) No 648/2012 and the Central Securities Depositories Regulation (EU) No 909/2014.

Key capital markets legislation includes the Prospectus Law (transposing the EU Prospectus Directive 2003/71/EC) and the upcoming Prospectus Regulation (EU) 2017/1129, the Market Abuse Regulation (EU) 596/2014 and the Transparency Law (transposing the Transparency Directive 2004/109/EC).





Investment funds

Cyprus' national regime for investment funds fully implements the EU framework established under the Undertakings for the Collective Investment in Transferable Securities (UCITS) Directive 2009/65/EC, the Alternative Investment Fund Managers (AIFM) Directive 2011/61/EU and MiFID II.

A new Alternative Investment Funds Law was enacted in July 2018 to replace earlier legislation. It provides all the benefits of the EU legislative framework and introduces innovative vehicles for collective investments.

The advantages of this modern regime for portfolio and asset management are greatly enhanced by Cyprus' well-understood common law system and its unique tax benefits. It offers investment funds a highly attractive environment for distribution of funds on a cross-border and global basis and direct access to the EU investment market.

Our services

We offer a service to the financial services sector which is second to none. We are Cyprus' largest and most internationally respected law firm, and the only firm with a specialised team that focuses on the unique requirements of financial services businesses. We assist our clients with every aspect of establishing and doing business in Cyprus, from licensing and authorisation through regulatory advice, corporate and tax structuring, to detailed day-to-day operational issues such as corporate governance, regulatory compliance, employment and data protection. Between them, our specialists have decades of experience in dealing with the regulatory and other authorities, and an unmatched understanding of the application of the legislation and regulatory requirements.

By way of illustration, some of the areas in which we have recently assisted clients in the sector are:

- Establishment of a €100 million investment fund, including corporate and tax structuring and obtaining the requisite authorisations from the Cyprus Securities and Exchange Commission;
- Advising global financial organisations on the Brexit options that Cyprus provides for credit institutions, investment firms, funds and fund managers and insurance companies;
- Advising EU and third-country investment firms and credit institutions on the requirements for offering services in Cyprus, either through a branch or on a cross-border basis, and supporting them through the authorisation process;
- Helping overseas investors to acquire portfolios of distressed assets;
- Revising investment firms' contractual documentation to comply with the requirements of MiFID II;
- Advising on transactions in equity, debt, derivatives and other financial instruments;
- Advising third-country sovereign funds on the regulatory regime and conditions for the distribution of units;
- Advising on the Cyprus framework and treatment of cryptocurrencies, cryptoplatforms and crowdfunding; and
- Providing day-to-day advice and support to regulated entities on regulatory compliance and liaising on their behalf with the regulatory authorities.

We cut through the vast, complex swathes of legislation to provide clarity and assurance to our clients, freeing them to focus on important business issues.



Building
on our heritage.

Innovating
for the future.



Contact Our Team

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Elias Neocleous & Co LLC is the largest law firm in Cyprus and is internationally recognised as a leading law firm in the South-East Mediterranean region.

We are the only Cyprus firm selected for Legal Business magazine's "**Euro Elite**" **top 100 firms** in Europe. We have more than 140 fee-earners and management team whose skills we leverage to assist clients. We serve clients out of three offices in Cyprus and out of an international network of offices in the main destinations for investment via Cyprus.

Our staff have unmatched experience in assisting clients in cross-border investment projects in Europe, Asia, Africa and the Americas. Our attention to client service is what sets us apart.

For us the client comes first.

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