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A bridge in the making: linking Cyprus as a fund domicile to the markets of the GCC



By Mr. Jad Wakil

Mouflon Real Estate Fund Ltd., Executive Director

Having attended, at only one week apart, the FundForum Middle East & Emerging Markets in Dubai and the 4th International Fund Summit in Nicosia, one clear conclusion can be

drawn: there is room for much significant collaboration between the two countries.

A Little Background

The event in Dubai brings professionals in the fund

and asset management industry from all over the GCC and beyond, including attendees and speakers from Africa, India, Europe, as well as the US. Most of the keynote addresses and panels are technical and industry specific, and the participants are industry experts looking to deepen their knowledge and understanding, all the while networking with peers and colleagues.

In a bit of a contrast, the summit in Cyprus is more focused on promoting the legislative and regulatory framework of investment funds on the Island, albeit with a continuously improving level of speakers and more industry insights throughout the event's speeches and panels over the years. The presence of service providers is much more accentuated for obvious promotional purposes, but the audience size is larger while probably being as diverse as in the UAE.

Given that Cyprus operates a regulatory regime based on the EU's AIF and UCITS directives, both being tried and tested frameworks for the establishment of investment funds, the jurisdiction offers a mature legal environment for funds to be domiciled in Cyprus and to efficiently service both EU and other clients. This unique advantage was highlighted during the Summit by several of the keynote speakers, including the Director General of EFAMA (The European Fund and Asset Management Association), as well as the previous CEO of the London Stock Exchange Group.

In contrast, the GCC ecosystem consists of a mosaic of regulation, with three different regulators operating in the UAE alone. This obviously complicates the life of asset managers, due to the administrative work and associated costs of obtaining a license under these conditions. This environment is satisfactory in the scope of operating and fundraising regionally, but it is certainly not efficient for truly international asset managers. In

fact, common domiciles for GCC funds consist of Bahrain, the Cayman Islands, and the BVI. The latter two have become very controversial, and therefore a move into Europe is becoming more and more pertinent for asset managers who wish to operate on a global scale, in a world with ever tightening compliance and transparency requirements.

A Simple Observation

This is where Cyprus comes into play. With a solid legislative framework, EU passporting capability, a panoply of professional service providers, an efficient tax regime, as well as the geographic proximity to the GCC and Africa, and the wide use of English, make the jurisdiction ideal to be the domicile of choice for GCC asset managers looking for a firm foothold in order to expand their business.

In addition, the local legislation has managed to distill the best practices of other successful fund jurisdictions and offer them to asset managers within a flexible regime to meet all types of needs. Funds can be incorporated using a simple GP/LP model or a variable capital LLC. Funds can be licensed in their simplest form as a registered AIF, with reduced regulatory requirements, to fully fledged UCITS. The breadth of choice allows for all types of assets managers to find their ideal structure, ranging from small family offices to large funds with global aspirations.

Furthermore, Cyprus offers much lower costs of operation when compared with other EU fund destinations such as Luxembourg, as well as lower costs of living and tax incentives for fund executives who relocate to Cyprus. This gives asset managers a significant advantage in an environment where more and more emphasis is placed on reducing fees and costs to investors.

The Road Ahead

Cyprus still needs to do a lot of work before it can bridge the gap between the opportunity it presents and the potential markets it could service.

First of all, the local industry players need to place more emphasis on deepening the knowledge and expertise in the ecosystem. Having the right regulatory framework is not sufficient on its own, and the presence of the necessary pool of

professionals and experience is essential in order to be able to truly compete with more mature markets, such as Luxembourg or Ireland. To that effect, Cyprus should focus on education and upgrading the technical skills within the industry, through trainings and workshops, as well as by attracting and incentivizing experienced service providers to establish a presence in Cyprus, and then showcase these efforts to the world, in order to achieve its full potential.

Second, and as a follow up to my first point, there should be much more effort placed into raising awareness in the GCC and beyond about the opportunity offered by Cyprus. So far, the CIFA as well as other stakeholders have made extensive efforts to market Cyprus as a fund destination, with a pitch focused on, amongst other things, geographic proximity, low cost of living, the fact that the legal system is heavily based on English Common Law, the widespread use of English, and access to the EU. However, asset managers are looking for a deeper connection. Yes it is relatively easy to relocate to and work in Cyprus, but how will the operations of the asset manager be affected? Will asset managers find the right partners and service providers, from banks to depositaries to fund administrators to potential employees, with enough knowledge and experience and ability to handle their requests and meet their expectations? Although the level is definitely improving, unfortunately it is not yet up to the required standard to convincingly attract large funds. However, the industry in its current state can perfectly accommodate regional players, startup funds, alternative funds, as well as larger entities looking to diversify into new asset classes and seeking to do so with minimum risk and cost. Rome was not built in a day, and I am certain that over time, Cyprus will build up the capabilities required to become a top destination for fund domiciliation.

Finally, Cyprus needs to continuously work on improving its image, particularly following the rough patch it went through with its banking crisis, as well as the hard to shake reputation issues it unjustifiably still suffers from in terms of regulatory compliance. We know firsthand how much things have evolved, and how much scrutiny and perhaps over-regulation have become the norm in the market, but this is still not sufficiently echoed at an international level.

These positive changes need to be part of the awareness efforts of all stakeholders in the industry, and we, as a fund which is domiciled and operating in Cyprus are playing our part in this effort whenever we get the opportunity.

All of this needs to happen relatively quickly, as regulation in the GCC is constantly evolving and improving, and as time advances, the window of opportunity for Cyprus will get smaller and smaller.

Mr. Jad Wakil is the co-founder and Executive Director of Mouflon Real Estate Fund Ltd, an Alternative Investment Fund licensed and regulated by the Cyprus Securities and Exchange Commission. Mr. Wakil is also the co-founder and Managing Director of Tangent, a strategic advisory company operating in both Cyprus and Lebanon.

Mr. Wakil has a wide ranging experience, having worked in the insurance, banking and financial services sectors. He was involved in numerous M&A and private equity transactions, as well as strategic development projects, in diverse sectors including retail, hospitality, logistics, technology, infrastructure, and real estate.

Why Trademarks can be commercially significant?



By Ms. Xenia Kasapi

Head of Data Protection and Privacy Department, E & G Economides LLC

Corporate takeover battles regularly centre on the value of the brands at stake and highlight their commercial value. Brands can even account for a majority of a company's assets. In a survey of the world's most valuable brands, the value of the top brands ranged from around US\$43 billion to US\$178 billion. Some of the top brands are MICROSOFT, MERCEDES-BENZ, APPLE, GOOGLE and more.

The differences between products in terms of ingenuity and quality have also emphasised the significance of trademarks and more specifically, brand loyalty, to manufacturers and similarly to retailers. In an era of rapidly developing technology and seemingly unlimited ways of communication,

products are not new for long. Consequently, consumers look to brands to give them reassurance as to their main concern when deciding whether or not to buy, whether that concern is about the price, the quality or the novelty of the product.

Brand loyalty is a highly-sought prize and presupposes the existence of a trademark to which such loyalty can be attached to. For this reason trademark registration, administration and protection are critical to any business seeking to obtain and maintain brand loyalty and ensure commercial success.

What is a trademark?

A trademark is a valuable corporate intellectual property asset and it refers to a distinctive sign that identifies certain goods or services and it is used by traders to differentiate their goods or services from those of other traders. This is one of the reasons why the registration of the trademark is very significant. Such registration may be either completed nationally (Cyprus), within the European Union (EU) or internationally.

What can be a trademark?

Any sign which can be represented graphically and which is capable of distinguishing the goods or services of one undertaking from those of another is prima facie registrable as a trademark, subject to the "absolute" and "relative" grounds of refusal.

Many memorable and as a result, successful trademarks are simple symbols, but a trademark may also be encapsulated in a name, a slogan ("Have a Break have a Kit Kat"), a label, a sound, a number, the shape of goods or their packaging (the triangular shape of Toblerone chocolate), a design, smells (registration of a floral fragrance), a colour (Heinz's registration of the colour turquoise for use on tins of baked beans), a figurative or a three-dimensional trademarks and more. A preliminary search should be conducted in order to check whether the trademark has unfavourable implications or a harmful meaning in other languages.

An application for registration of a trademark may be filed in **Cyprus by the Department of Registrar of Companies and Official Receiver**. In the event that all the legal requirements have been met, the trademark shall be registered with the issuance of a

certificate of trademark registration.

Additionally, an application for trademark registration can be submitted to the **European Union Intellectual Property Office** (EUIPO). A European Union Trade Mark (“EUTM”) system provides the means of obtaining a single trademark registration covering the whole of the EU. Those based outside the EU, can also apply for an EUTM. An EUTM gives to the owner the right to object to infringement throughout the EU. In addition, the proprietor may be entitled to apply for EU-wide relief, in respect of all infringing acts in the EU, instead of having to apply for several actions in different member states.

Registration can also be filed through the World Intellectual Property Organization (“WIPO”) by a single application and payment of one set of fees for protection in up to 119 countries. After the registration of mark in the International Register and publication of it in the official gazette, the International Bureau of the WIPO transfers appropriate notifications to all the Contracting States where the protection is sought, and each such State shall, after appropriate examination, approve or decline registration in its territory. Such registered trademarks, registered under the WIPO procedure, shall have the same legal status as the trademarks registered under the national procedure.

Why register a trademark?

Registration of trademarks is voluntary but advisable because a registered trademark is a **valuable commercial asset, commercially exploitable, a deterrent to infringers and renewable indefinitely.**

What rights does registration give?

Trademark protection confers on its proprietors the exclusive right of the use of the mark in connection with the goods or services for which it is registered. The period of protection varies, but a trademark can be renewed indefinitely upon payment of the corresponding fee.

Most importantly, registration gives the proprietor the right to sue for trademark infringement any

person who without authorisation, uses a sign that is the same as its own mark, or similar to it, and in a manner which is likely to damage it or cause confusion in the target market. The registered trademark holder must also prove that the use has caused or is likely to cause confusion, except in cases where the marks are identical and the goods or services are also the same. If the sign has a certain level of reputation, there is a wider right to prevent others from using the same or a similar sign for goods or services (whether similar or not), where that use, being without due cause, takes unfair advantage of, or is damaging the distinctive character or the reputation of the trademark.

The registered proprietor can authorise or license others to use the mark under an intellectual property license agreement. Under this agreement the proprietor retains the ownership of the trademark, but it gives to another party permission to use some or all of the intellectual property rights for a specific amount of time for a fee or royalty.

Trademarks can also be assigned or transferred to a new holder (total change in ownership/partial change in ownership). Under an intellectual property assignment agreement, the holder of the trademark can transfer some or all of the trademarks to the assignee in exchange of a specific fee. As the trademark rights are given to the assignee as is at the time of assignment, the assignee benefits from trademark protection as of the initial date the assignor registered the trademark and not as of the date the trademark is transferred to the assignee.

In her current position, Xenia is the Head of Data Protection and Privacy Department of E & G Economides LLC. She has a broad commercial practice with particular focus in intellectual property, data protection, technology, company and e-commerce law. Xenia advises on intellectual property legal issues regarding the registration of trademarks, patents and designs. She is also assisting companies with establishing and maintaining data privacy and security compliance matters and is drafting and reviewing commercial transaction documents.

Cypriot funds in a world of ‘substance’: the importance of aiming to attract asset managers.



By Mr. Daniel Sakellariou,
Advocate

Manager, Prountzos &
Prountzos LLC

In an ever changing political, economic and regulatory environment we have seen

a growing number of asset managers looking to establish asset management and fund structures beyond traditional markets such as the UK, Luxembourg and Ireland (for asset/fund managers) and the Cayman Islands and Delaware (for funds). Cyprus is well placed to play a role of significance in this shift, bearing in mind its EU membership, legal/regulatory regime, strategic location and attractive personal and corporate tax environment.

In light of a shifting international tax landscape, though, through the Base Erosion and Profit Shifting (“BEPS”) action plan, which is adopted by the OECD and G20 countries and has introduced tighter regulation on the international tax system as a whole, as well as unilateral measures adopted by developed and usually high tax jurisdictions, the requirement for ‘substance’ is becoming more and more a matter of relevance and importance. ‘Substance’ is a widely known tax concept, often used in cross-border tax situations. Even though there is no definition as to what ‘substance’ actually stands for, it is a key theme in international structures and tax planning. The matter of ‘substance’ has also been touched upon in courts; the European Court of Justice in its ruling on the Cadbury Schweppes Plc and Cadbury Schweppes Overseas Ltd v Commissioners of Inland Revenue Case decided that the application of the UK’s Controlled Foreign Companies (CFC) legislation, which required the inclusion of profits of Irish subsidiaries of Cadbury Schweppes Plc to its taxable base in the UK, constituted a restriction on the freedom of establishment and ruled that a restriction would only be justified in relation to

‘wholly artificial arrangements which do not reflect economic reality’; in defining such ‘artificial arrangements’, the Court pointed to a ‘letterbox’ or ‘front’ company. It is also relevant to note that the EU Anti-Tax Avoidance Directive (in force as of 1 January 2019) obliges member states to disregard any non-genuine arrangements which can be viewed as arrangements involving companies that lack ‘substance’.

Even though it has been commonly accepted in corporate structures that the exercise of management and control in Cyprus, in addition to the use of office space and the hiring of employees locally, do indicate the establishment of ‘substance’ on the island, in the funds sector it has been recently claimed that the utilisation of Alternative Investment Funds (the “AIFs”), as these are authorised by the Cyprus Securities and Exchange Commission to engage in investment activities, inherently “guarantees” the existence of ‘substance’ for such entities in Cyprus. This is one of the main reasons for which we are experiencing a high volume of conversions of what would traditionally be a corporate holding structure into self-managed AIFs, which in most occasions take the form of an alternative investment fund with limited number of persons.

In turn, this has led to the paradox that even though there are hundreds of funds being set up in Cyprus the total assets under management remain surprisingly low, while most of the funds established in Cyprus have not opted to obtain passporting license(s) to market their units in other EU member states - which is one of the most important elements for the establishment of such investment vehicles in EU countries -. We are, in a way, experiencing the formation of funds by non-asset managers, which has a negative impact on the island’s reputation as a funds jurisdiction, since sophisticated asset managers identify these irregularities.

It is therefore crucial that we promote Cyprus not only as a funds jurisdiction, but mostly as an asset management jurisdiction. Attracting asset managers that utilise AIFMs for their operation(s), will effectively:

- a) increase the assets under management in Cyprus;
- b) contribute in the enhancement of the local knowledge, through their sophistication and expertise, in a very crucial timing - where all service providers are going through a learning curve;
- c) result in the positive reputation of the island; and
- d) assist in making the island an attractive jurisdiction for global custodians/depositaries;

The introduction of the Registered Alternative Investment Funds (the “RAIFs”) by the modernised AIF Law of 2018, which requires a mere registration instead of a long and timely authorisation process, assists tremendously towards this direction. The formation and management of funds in Cyprus by AIFMs is now very competitive and has proven to be very efficient, without unnecessary delays.

In turn, the aforementioned-indicative benefits will be reflected in the local economy and Cyprus’ funds service offering in both the short and long run; attracting AIFMs is an investment towards the formation of a sustainable funds ecosystem.

Daniel is a manager at EY Law (Prountzos & Prountzos LLC) in Cyprus, managing the funds, financial services and capital markets team. He is regularly engaged by EU and third-country corporate and institutional clients such as banks, funds and investment firms, on issues relating to project development and finance as well as commercial contract negotiations, both from a transactional and regulatory perspective. Daniel is an Oxford University graduate and scholar of the Alexander S. Onassis and WSD Louey Foundations.

An introduction to robo-advisors.



By Mr. George W. Sams

CEO at Wealth Fund Services LTD

Believe it or not, the term “robo-advisor” is a mix between “robot” and “advisor”.

With the rise of Artificial Intelligence and automation, robo-advisors are the logical step in the evolution of the asset and wealth management industry. They are, in short, an online software that helps users manage their investments, by automating the process of selection.

They can be quite sophisticated, and they’re becoming a real threat for -human- professionals, since they can be a proper alternative in many cases.

Robo-advisors choose automatically the most interesting investments for each user, and they help you build a diversified portfolio. Once your funds are invested, the software makes any necessary changes to make sure that your investments are aligned with your preferences.

How do Robo-advisors Work?

These automated advisors ask you your age and a few questions about risk, goals and your time horizon. Then the platform runs your choices through their algorithms. Next, you’re assigned a risk level ranging from conservative to aggressive.

Most robo-advisors divide their investment portfolios by risk. So, based upon your risk level, from conservative through aggressive, you’re provided with a collection of investments, in specific proportions, that meet your criteria.

Robo-advisors largely build their portfolios out of low-cost exchange-traded funds (ETFs) and index funds, which are baskets of investments that aim to mirror the behavior of an index, like the S&P 500. You’ll pay the fees charged by those funds — called

expense ratios — in addition to the robo-advisor's management fee.

Who Robo Advisors Are Best For?

Robo advisors can be a [great solution](#) for beginning investors, young professionals who want to put their portfolio on "automatic," and for investors that have a relatively simple situation.

Thus, these companies are giving young investors opportunities they may not have had otherwise. They're perfect if you can't afford to hire a financial advisor, or if you prefer to manage your investments on your own.

Millennials

Robo advisors and millennials should go hand in hand. People in their 20s and early 30s have been raised on technology, which remains integral to their daily lives. As a result, robo advisors have typically targeted this segment because millennial investors want to save money and often don't have enough wealth to warrant the attention and interest of a human advisor.

Benefits of Using A 'Robo-Advisor'

The main advantage of robo-advisors is that they are low-cost alternatives to traditional advisors. By eliminating human labor, online platforms can offer the same services at a fraction of the cost. Most robo-advisors charge an annual flat fee of 0.2% to 0.5% of a client's total account balance.

Another benefit is reduced stress. Once you open your account the robo advisor software automates the whole process. You no longer have to worry if you should make changes to your portfolio, or wonder if you should invest more in technology or less in financials. You don't have to log in and place trades. You don't have to worry that a broker or other financial sales person is making a recommendation that is not in your best interest.

Automatic rebalancing: If you hold a portfolio with a

number of assets, it will have to be rebalanced on a regular basis as the value of the securities will change. The task of rebalancing can be both difficult and expensive. With robo-advisors, you don't have to worry about this process.

User-friendly technology: Dealing with an advisor can be an intimidating process. Most robo-advisors have an approachable and interactive interface that one can play around with. This also means that you have access to your portfolio 24/7 — you can invest, withdraw money and check your balance whenever and wherever you want.

Should you invest with a robo-advisor?

The answer is that "it depends". Are you someone who can, or wants to pick winning stocks on a consistent basis? Then no, it would be a bad decision to go for a robo-advisor.

Other factors to take into consideration:

1. Do you have special needs such as estate and inheritance planning? A robo-advisor would be a bad idea as you would need a tailored solution.
2. Are you okay with constantly monitoring your investments? If yes, then stick to investing on your own.
3. Are looking for MUCH more than average returns? A robo-advisor will not provide you a 20% return. Also, as mentioned before, we still don't know if they perform better than other comparable options.
4. Do you have a limited amount of money to invest? Go with a robo-advisor. And in case you are a beginner to the world of investing then, this will also be a good way to get your feet wet and eventually move to complicated investing methods.

In conclusion, robo-advisors are definitely a great option to have, but one needs to be wary of the hype and marketing efforts. Nonetheless, it is always better to try something for a short while before coming to a definite conclusion. Since the pay-in for

a robo-advisor is small, you will not have to invest much to test the waters.

George W. Sams is CEO at Wealth Fund Services LTD in Cyprus. Senior executive with extensive experience for more than 25 years in the entire range of Fund services, and accounting management in Collective Investments Funds (UCITS & AIF). In recent role as Head of Fund Services in Eurobank Ergasias S.A. Greece, he was in charge for promoting services in Greece, Cyprus and Luxembourg.

Previously, he held roles of responsibility as CFO at EFG Eurobank Asset Management and CEO at Intertrust Mutual Fund Management Company S.A. (Interamerican Funds). He started his career in 1994 from Societe Generale Asset Management Greece S.A. as a Head of Accounting Department and Internal Auditor.

Assets under Management ranged from 350 million up to 10 billion €. Chairman of Fund & Asset Management Committee at CIFA. Member of the Greek Institutional Investors Committee, Tax and Accounting affairs from 1997-2017

The importance of ESG Funds



By Mr. Marios Tannousis

Deputy Director General, Cyprus Investment Promotion Agency

Board Member of the Cyprus Investment Fund Association

Imagine a future in which companies that act responsibly enjoy better long-term returns, fewer litigation risks and are rewarded with lower borrowing costs. That future may be here sooner than you think, thanks to the growing appetite for environmental, social, governance (ESG) funds.

ESG funds received an important boost in 2015, with the publication by Friede & Busch of a huge meta study of more than 2,000 research papers assessing the relationship between ESG and corporate financial performance (CFP). The researchers found not only no negative relation between ESG and CFP,

they also found that the “large majority of studies reports positive findings”. Moreover, this was across a very range of asset classes.

This vote of confidence in ESG funds has led to a surge of investment. According to Global Sustainable Investment Alliance (GSIA) and Forum for Sustainable and Responsible Investment (US SIF), global ESG investment rose by 33% to \$23 trillion between 2014 and 2017. MSCI Research, Morningstar and Reuters are just a few of those providing indices that allow you to track the performance of ESG companies or ESG funds against benchmarks. Morningstar reported in October 2017 that, 16 of the 20 equity indices in its Global Sustainability Index family had out-performed non-ESG equivalents over their lifespan.

The move towards a globally accepted standard or an agreed definition is an evolving process. One such example is B Corps, launched in 2006, which provides “B Corp Certification” for over 2,500 publicly listed enterprises and small businesses in more than 50 countries. Certified companies must demonstrate that they “meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose”.

Perhaps the most important recent development for ESG funds is the move by all the major rating agencies to incorporate ESG into their company credit ratings. This has spurred another innovation, namely lower-cost loans tailored especially for high ESG-compliant companies. For example, Danone borrowed €2bn in February 2018 using a Positive Incentive Loan (PIL).

A key feature of ESG is that, unlike earlier versions of socially responsible investing, ESG does not exclude particular sectors outright. This approach recognises that certain sectors, by their very nature, use more natural resources or work across a broader range of cultures than others. Instead, the aim of ESG is to help funds and other investors pick those companies that maintain the highest standards in their particular sector or asset class. Thus, for example, an oil and gas company that employs the highest safety and environmental standards will score better (for example, be considered less vulnerable to litigation,

or large fines, or social protest), than one which invests heavily in the health and safety of its operations and its workers.

Another reason for the growing interest in ESG investing is the range of global initiatives to tackle climate change and income inequalities, together with the expectation that regulators worldwide will get tougher on companies that do not embrace them. These initiatives include the 2015 Paris Climate Agreement and the UN's 2030 Sustainable Development Goals.

The Cyprus Investment Funds Association (CIFA) is already proud to have members focused on renewable and socially responsible investing, and we encourage qualified members to seek global ESG accreditation so that they can take advantage of this exciting new growth market.

Marios Tannousis holds the post of Deputy Director General at the Cyprus Investment Promotion Agency (CIPA). He has more than twenty years of international corporate experience, with twelve years in the international banking and financial services group Societe Generale, where he served at various key posts.

He is a Member of the Board of the European Fund and Asset Management Association (EFAMA) as well as the Cyprus Investment Funds Association (CIFA). He also served as President of the Cyprus Finance & Leasing Association and Board Member in various other organizations and bodies.

He holds a Bachelor's degree in Economics and an MBA. He is also Certified for offering investment services and has a special interest in Economic Development through Investments especially in Banking, Financial Services and Investment Funds.

For information, please contact:

Mr. Marios Tannousis
Member of the Board, Secretary
E-mail: mtannousis@investcyprus.org.cy
Severis Bldg. 9 Makarios III Ave., 4th Floor
Nicosia 1065, Cyprus
PO Box 27032, Nicosia 1641, Cyprus
Tel: +357 22 44 11 33
Fax: +357 22 44 11 34
E-mail: info@cifacyprus.org