



Cyprus: Attractive EU Gateway to India

A ICICI Bank & PIVOT Initiative

Monday, June 28, 2021



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Expert Panelist



Ms. Demetra Kalogerou
Chairwoman: Cyprus Securities
and Exchange Commission.



Mr. Ashish Chauhan
MD & CEO: Bombay Stock
Exchange



Mr. Andreas Yiasemides
President: CIFA, Partner - PwC
Cyprus



Mr. Angelos Gregoriades
Consultant: Board, Pivot Cyprus



Mr. Manish Jain
Head: Custody & Capital Markets
ICICI Bank Ltd.



Mr. Viraj Kulkarni
Founder & CEO
Pivot Management Consulting



Agenda

Cyprus: An attractive route to invest in India

India: An attractive investment destination

CIFA: Cyprus – India Business

India: Foreign Investment Routes

ICICI Bank: Leader & ideal partner to invest in India

Cyprus: Taxation & Funds setup - **Pivot's Integrated Solution**

Q & A



Mr. Viraj Kulkarni

In case of any query /
questions :
Type below in chat box





Cyprus: An attractive route to invest in India

“The regulatory landscape of the investment funds industry in Cyprus”

Demetra Kalogerou

Chairman, Cyprus Securities and Exchange Commission

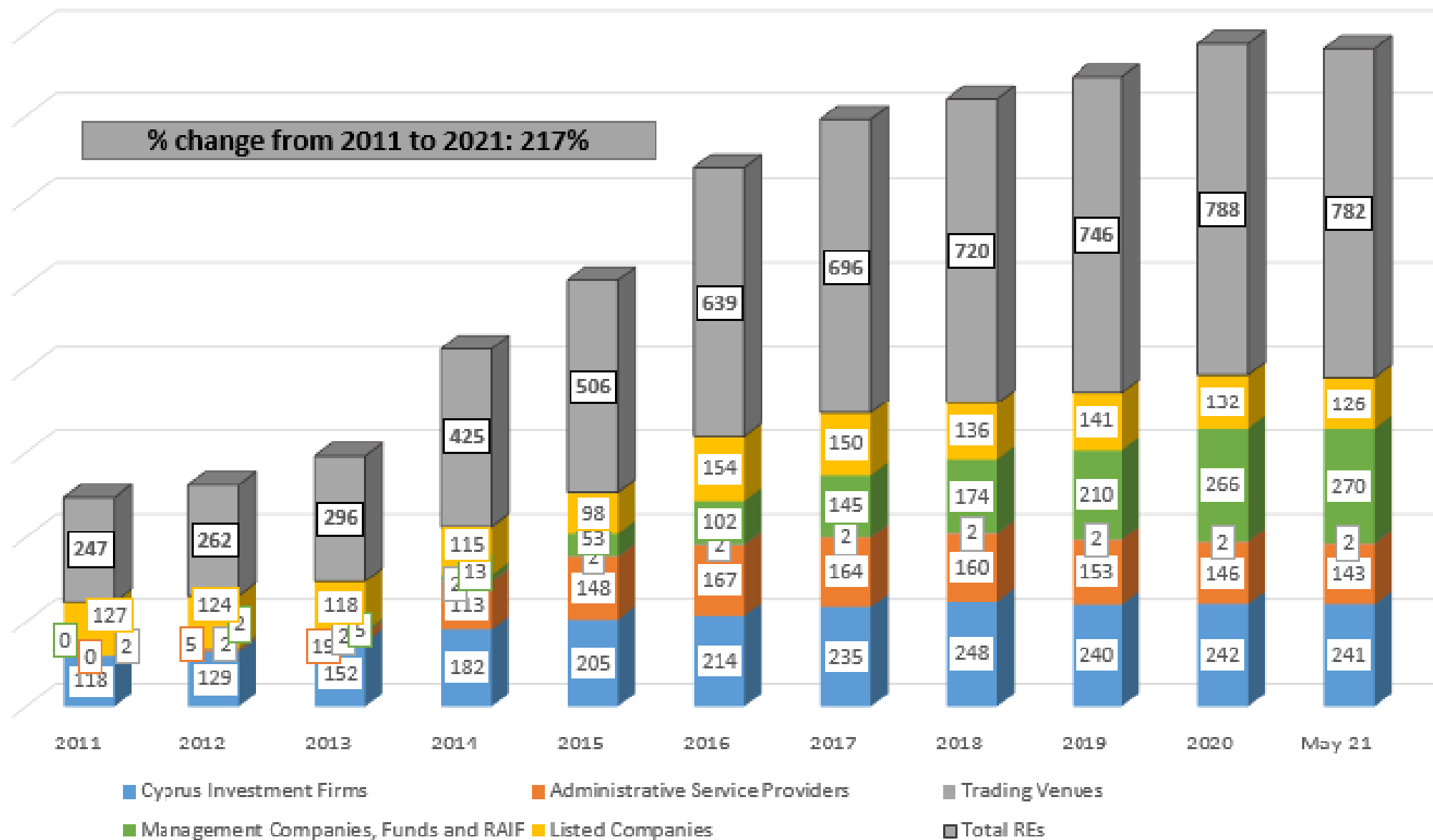
Webinar: Investing in India,
through Cyprus
28 June 2021



The industry

- ✓ we have developed and grown an established collective investment funds industry over the last 9 years





Investment Strategies



TOTAL AUM

AUM €9,786,038,436

UCITS Investment Strategy

Transferable Securities 84.5%

Other 1.4%

UCITS and UCIs 5.0%

Bank Deposits 9.2%

AIF, AIFLNP and RAIF Investment Strategy

Private Equity
36.4%

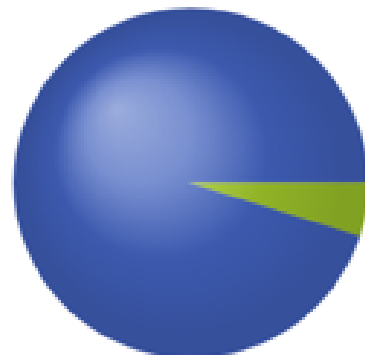
Funds of Funds
6.0%

Real Estates
13.3%

Hedge
14.2%

Other
30.2%

Total AUM



UCITS
4.9%

AIF, AIFLNP and RAIF
95.1%

AUM: €478,037,697

AUM: €9,308,000,739



Licensing and legal framework



Additional staff have
been assigned to the
relevant departments

An online portal for the
submission of
applications for the
authorisation of Funds -
In process

Legal framework

- Registered Alternative Investment Funds
- Mini-Managers
- Fund Administrators
- Loan Origin./Particip.
- New European Directives

CySEC:

- ✓ applies a risk-based approach to supervision
- ✓ provides guidance and clarifications as to the interpretation of the applicable regulatory framework





Mr. Ashish Chauhan
MD & CEO: Bombay Stock
Exchange Group

India: An attractive investment destination



CIFA: Cyprus – India Business

The Cyprus – India Business Association



**Mr. Andreas
Yiasemides**



Established and operating under the auspices of the Cyprus Chamber of Commerce and Industry.



Committed to enhancing the prospects of furthering bilateral ties between the two countries.



Focusing to promote Cyprus as a jurisdiction of choice for international businesses.



Supporting the interest shown by numerous Indian companies in investing and setting their business in Cyprus.



Continuously organising numerous networking events, conferences and seminars.



Cyprus: One of the fastest growing fund industries in the EU

€ 9.8bn

Total Assets Under Management (AuMs) as at Q4/2020

14%

Increase of total AuM from Q4/2020 to Q1/2021

363%

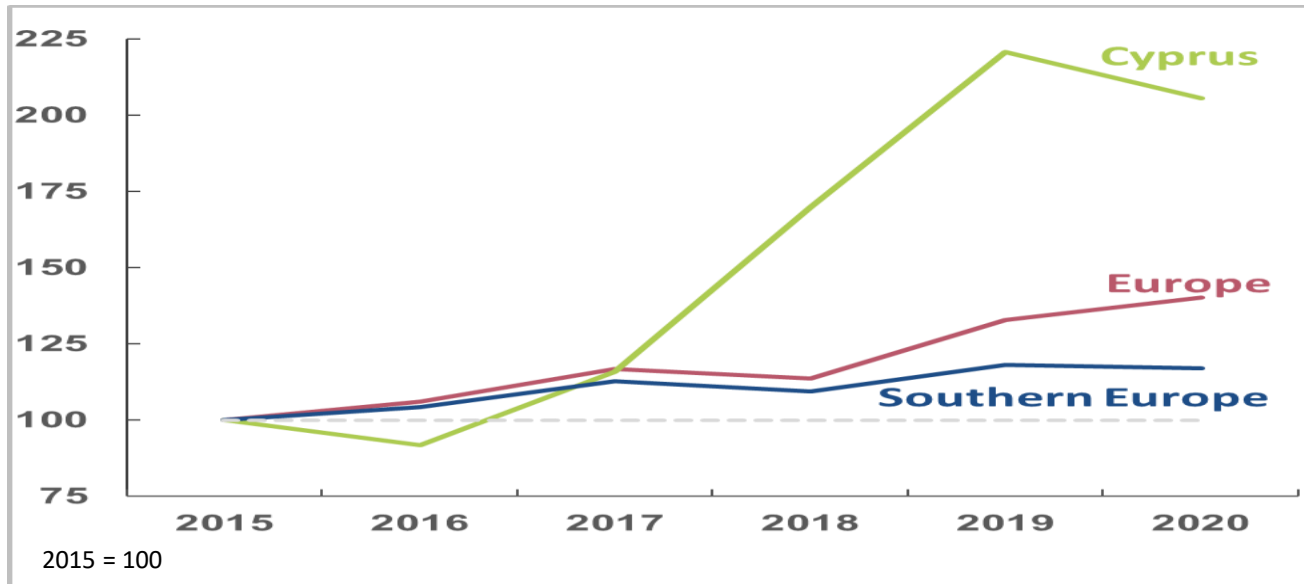
Increase of total AuM from 2016 to 2021 (from €2.7bn to €9.8bn)

Cyprus Funds are eligible for listing on:

✓ Clearstream
Vestima

✓ Bloomberg

✓ Thomson Reuters



Net Asset growth in Cyprus outpaced asset growth in Europe and southern Europe in recent years:

- Solid and steady increase between the years 2017 – 2019.
- Slight drop March 2020 due the pandemic's economic influence.
- Recovery of asset growth in 2021 as per the latest CySEC statistics.



Key benefits of Cyprus Funds

New Opportunities

- Access to high-growth markets (Europe and Middle East).
- EU passporting rights: Management & marketing throughout Europe.
- Cyprus Funds can be EuVECA designated

Strong Corporate Governance

- Reports to the Regulator and the Investors.
- Well-regulated structure/Control functions.

Low set-up & Operational cost

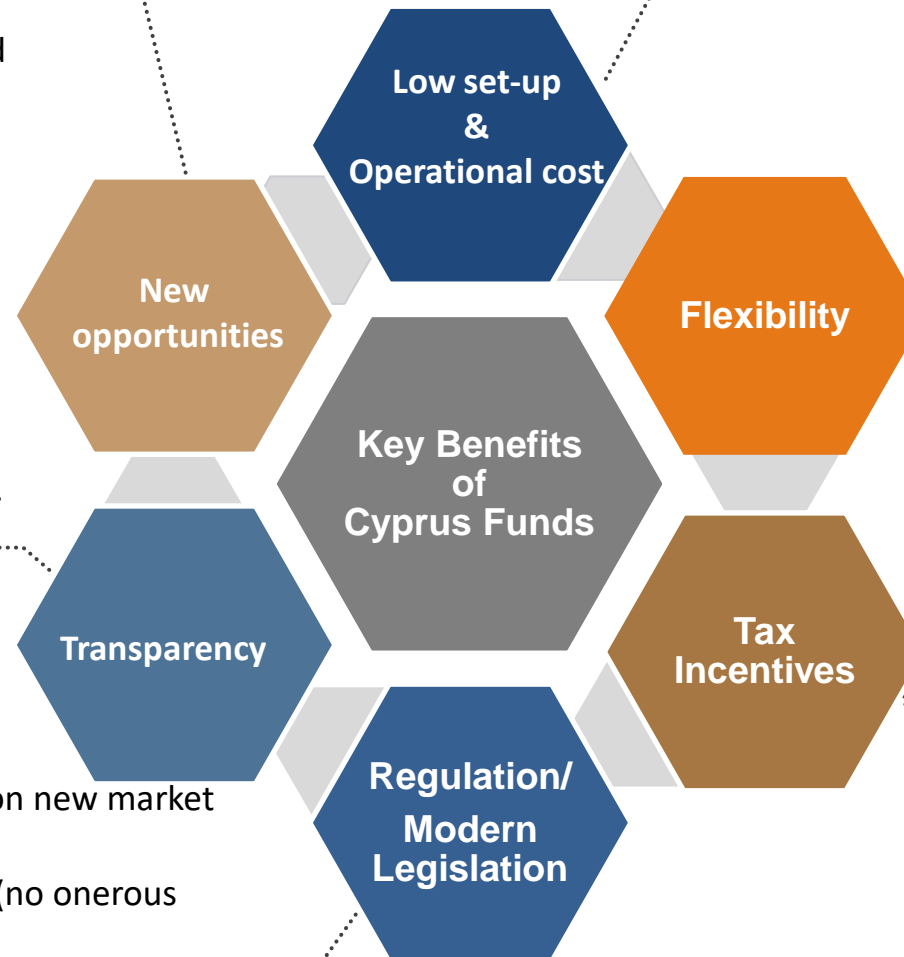
- Easy and cost efficient to set up and maintain Cyprus funds.
- Reduced bureaucracy.

Flexibility

- Any asset can be included in the investment strategy of the fund.
- Variety of structuring options.
- No investment restrictions in place and no geographical diversification rules.

Tax Incentives

- Attractive tax system for funds and fund managers.



Key Benefits
of
Cyprus Funds

New
opportunities

Low set-up
&
Operational cost

Flexibility

Tax
Incentives

Regulation/
Modern
Legislation

Transparency

Regulation / Modern Legislation

- Designed legislation to take into consideration new market realities and conditions.
- EU directives / business friendly jurisdiction (no onerous reporting requirements).



**Mr. Andreas
Yiasemides**

- ✓ **Acts as an channel of communication** and makes representations to the Cyprus Government and CySEC on legislative, regulatory and fiscal matters which directly or indirectly have an impact on the funds industry.
- ✓ **Proposals put forward by CIFA:**
 - Deemed Dividend – exemption for fund structures
 - NAV Taxation
 - RAIFs to be permitted to pursue Loan Origination strategies
- ✓ **Addressed multiple virtual conferences in Europe, the USA and Middle East.**
- ✓ **Launching of the CIFA Workshop Series**, focusing on the continuous education of the stakeholders of the industry.

- **OVER 370 MEMBERS (142 LEGAL ENTITIES, 228 INDIVIDUALS)**
- **12 ACTIVE TECHNICAL COMMITTEES**
- **CLOSE COOPERATION WITH ASSOCIATION OF CYPRUS BANKS**
- **QUARTERLY NEWSLETTERS**
- **HIRED PERSONNEL TO ENSURE THE ASSOCIATION'S NEEDS ARE MET AND ITS MISSION IS ACCOMPLISHED**





India: Foreign Investment Routes



Mr. Manish Jain

Self-Reliant India

Vision

Building of self-reliant India on 5 Pillars

Quantum
Jumps, not
incremental
changes

Economy

One that
represents
modern India

Infrastructure

Digital /
Technology
driven systems

System

Vibrant
demography of
the largest
democracy

Demography

Full utilization
-Power of
demand &
Supply

Demand

Be vocal for local products & make them global

- Since 2000, GDP grown by 5.6 times (\$479 million to \$2.72 trillion)
- Large consumer market
- Political Stability, consistency in policies

- Since 2000, FDI inflow rose from \$4.02 billion to \$73 billion
- Opening up of the market, FDI limits increased in sectors like insurance, retail

- All time high foreign reserves \$615 billion
- Post Covid India has emerged as an important link in Global Supply Chain in Pharma, electronics

Over 300 million people Vaccinated (recent daily avg of 6 million)





Mr. Manish Jain

Political and Economic Outlook



STABLE GOVERNMENT

- Present government re-elected with an absolute majority in 2019 Elections
- Strong operating federal structure in the world's largest democracy



INDUSTRY REGULATION

- Majority sectors free for private and foreign participation
- Infrastructure and Housing, growing in recent years
- Growing opportunities & high demand in healthcare, retail, infrastructure, IT, E-commerce, and energy



ECONOMIC BALANCE

- Ongoing measures to check fiscal, monetary and current account deficits
- Increased monetization of public assets
- Disinvestment of public assets & strategic sale of government stake



TAX & OTHER REFORMS

- Rationalize corporate tax rates and check black-money and laundering
- GST in cleansing the business supply chain
- Easier resolution of bankruptcy & acquisition of stressed assets under IBC
- Launch of REIT (Real Estate Investment Trust)



Focus on Ease of doing business, ranking improved from 142 to 63 in last 5 years



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The India Factor

Work Force Participation

- 2/3 population working age - lead to Increased productivity/ Household Income
- Work From home – can realize untapped potential

Net Commodity Importer

- India being a net importer (~5% of GDP) – low commodities prices sharp decrease in CAD, low inflation and boost consumption
- Significant reduction in CAD - INR volatility under check
- Central bank to persist with low interest rates and govt. to spend more



Domestic Consumption Economy

- Step back from globalization, and shift towards Nationalism to Benefit India

Global Supply Chain

- Diversification away from China
- Corporate tax rate rationalisation- among the lowest in developing economies

Formalization & Digitization

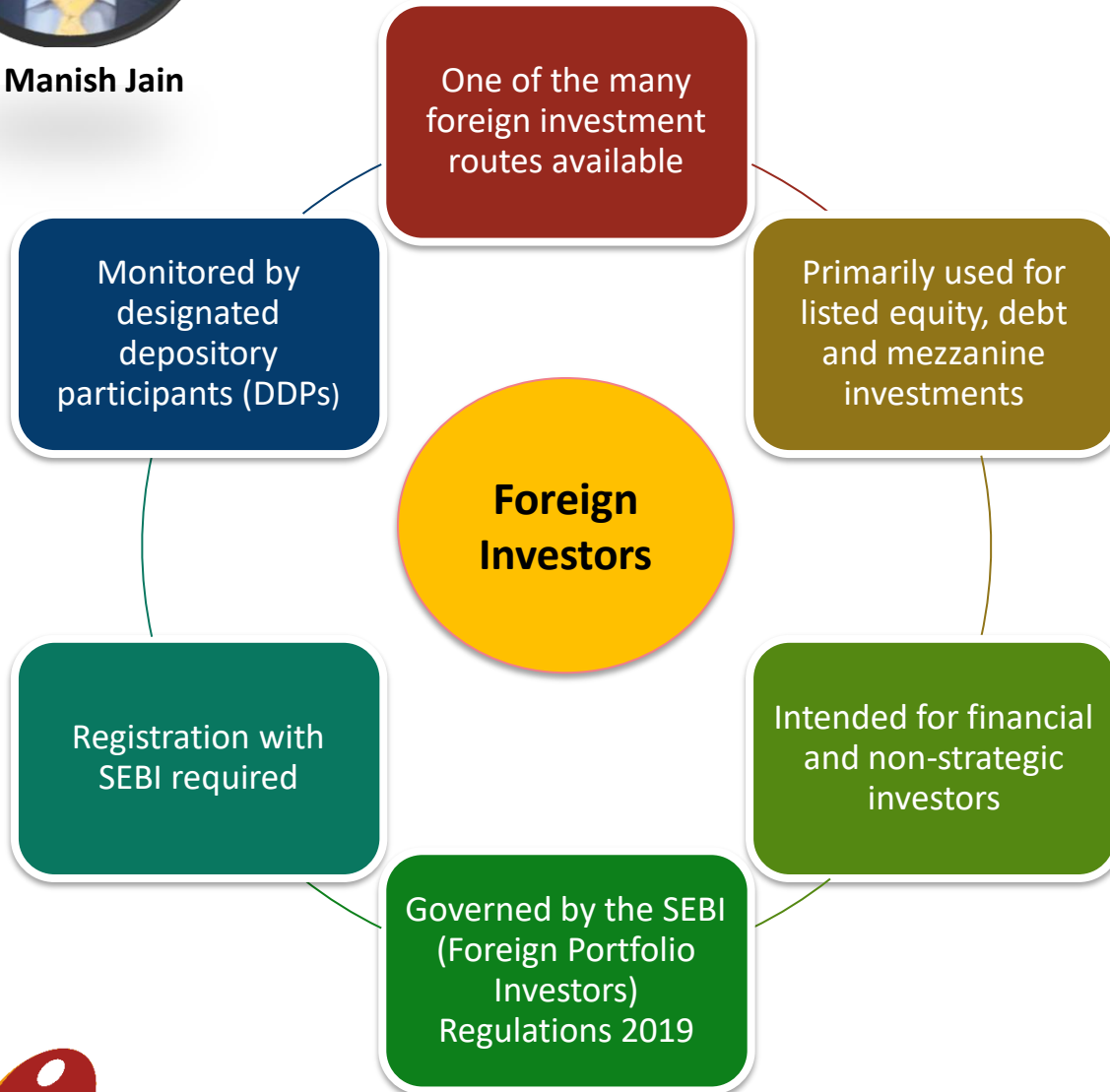
- Large informal sector and change in consumer behavior - help shift towards a formal economy
- Overall benefit to corporate sector and increase in Tax/GDP ratio
- Increase in digitization - increase productivity of the corporate sector





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Foreign Investment: Overview & Recent Update



- Unified access route for all portfolio / public markets investments - FPI Regulations 2019
 - **Ease of Access:** removing broad-basing requirements, rationalising categorisation and permitting MCV / PCC / SCC structures
 - **Simplification of Documentation:** reliance on global custodian KYC, centralized repository of KYC documents, CAF, accepting LEI as KYC for entities
 - **Review investment restrictions / operational efficiency:** removal of 24% cap, seamless transition from FPI to FDI, further streamlining of ODI and direct access, expansion of debt participation products, off market transactions
- Straight forward eligibility criteria focussed on AML considerations and Indian ownership of the FPI
- Category I FPI, covers most foreign investors with the residual vesting in Category II



Gol, recently classified FPIs from Cyprus, eligible for category I license



Mr. Manish Jain

Foreign Investment - Routes

Features	FDI	FPI	FVCI	AIF	ECB
Avenues & approvals	Sectorial limits Automatic or Approval route Approval route under PN3	Portfolio/debt platforms KYC based regn. (~3 wks) VRR	10 specified sectors SEBI regn. (~12 wks)	Liberal for IOCC SEBI reg. for third party fund (Cat. I, II, III)	ECB Master Directions Typically Automatic route
Instrument permitted	Equity, compulsory convertibles, LLP capital	Listed Debt and/or Equity $\leq 10\%$ limit Unlisted Debt	FDI plus NCD/OCD/ Preference shares	FDI plus NCD/OCD/ Preference shares	FC/INR borrowing/bond NCD/PCD/OCD/ shares
Pricing norms	Floor and Cap earmarked to Fair Value	No restrictions Up to corporate debt limit	No restrictions	No restrictions	450 bps plus benchmark rate (excludes WHT)
Exit norms	Freely transferable 1-yr IPO lock-in	Debt - residual maturity ≥ 1 year	No restrictions No IPO lock-in	No restrictions No IPO lock-in	Maturity ≥ 3 years ≥ 5 years for equity holder
Return framework	Assured returns not allowed	No restrictions 5% WHT interest cap	Flexibility of assured return/ downside cover	Simple. Taxable given domestic residency	WHT on interest capped at 5%



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Categories of FPI



Category I

Government and government related investors, Central Banks, SWFs, International or Multilateral agencies, etc.

Pension funds and university funds;

Appropriately regulated entities such as insurance or reinsurance entities, banks, AMCs, Investment Manager (IM), IAs, PMs, broker dealers and swap dealers;

Entities from FATF member countries which are:

- Appropriately regulated funds;
- Unregulated funds whose IM is appropriately regulated and registered as Cat I FPI;
- University related endowments of universities in existence greater than five years

An entity :

- Whose IM is from FATF member country and the IM is registered as a Cat I FPI; or
- Whose directly/indirectly ownership is $\geq 75\%$ by an eligible Cat I FPI entity from FATF member country



Category II

- Appropriately regulated funds not eligible as Cat I FPI
- Endowments and foundations
- Charitable organizations
- Corporate bodies
- Family offices
- Individuals
- Appropriately regulated entities investing on behalf of their client, as per conditions specified by SEBI from time to time;
- Unregulated funds in the form of limited partnership and trusts



GoI, recently classified FPIs from Cyprus, eligible for category I license



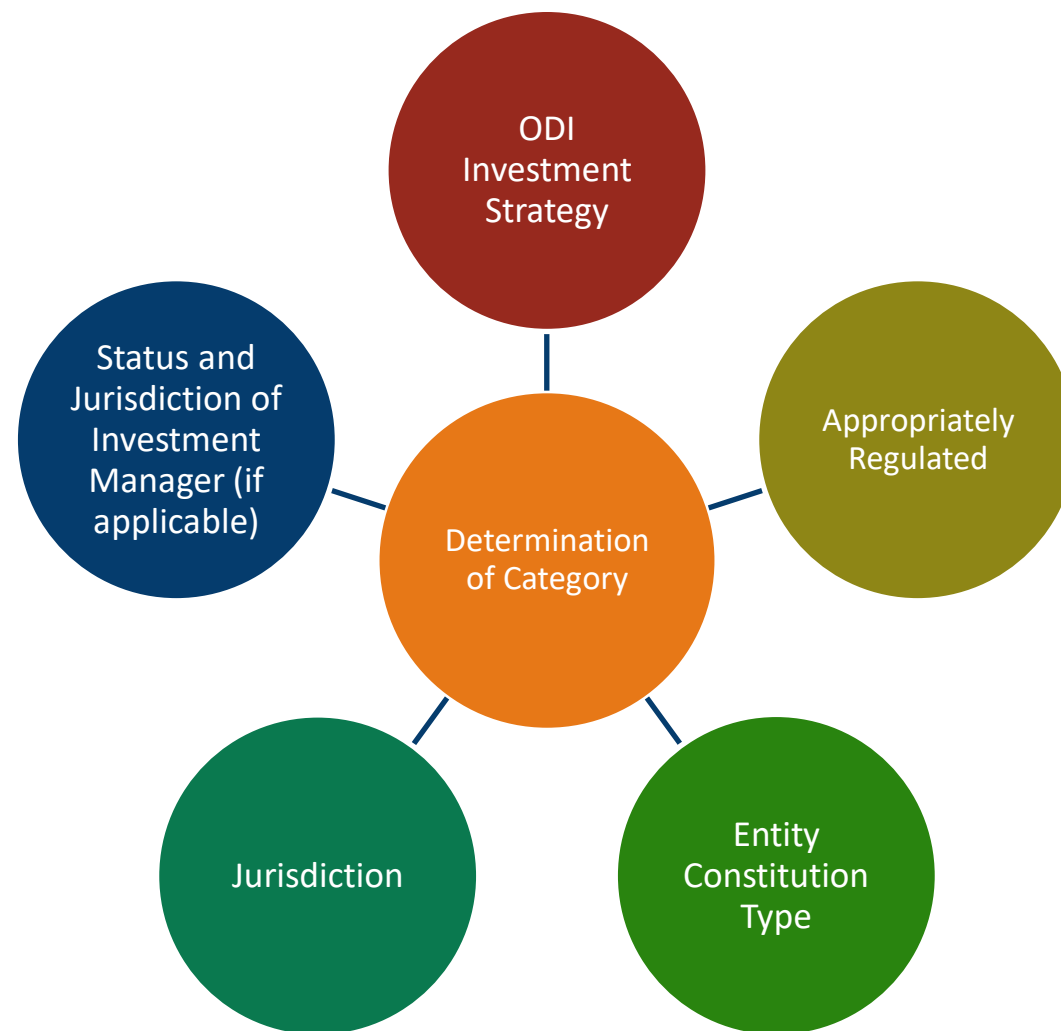
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Key Considerations for Categorisation

WHY CATEGORY I?

Category I FPIs have the following advantages over Category II FPIs:

- Exemption from indirect transfer tax in India
- Eligible to deal in offshore derivative instruments (**ODIs**)
- Relatively lesser KYC formalities relative to Category II FPIs
- Availability of qualified institutional buyer (**QIB**) status that is not available to individuals, corporates and family offices that are only eligible for Category II FPI registration



GoI, recently classified FPIs from Cyprus, eligible for category I license



ICICI Bank: Leader & your preferred partner in India



Mr. Manish Jain



Largest private sector bank¹



Leading Investment Bank



#1 Private Sector Life Insurance²



#1 Private Sector General Insurer³



Leading Indian Private Equity Fund



Leading Asset Management Company

Consolidated balance
assets size: \$ 217.7 bn

>7 Decades of Industry
Experience

Systemically important
Bank

Key Attributes

Reliability

Proficiency

Technology

Client Centricity

Efficiency

Expertise



- Data as per on Mar 31, 2021
- Market position is based on Retail weighted premium

- * INR/USD rate : 74.00
- * Market position is based on Gross written premium



Mr. Manish Jain

ICICI Bank – Your One Stop Solution



❖ In 1999, ICICI became the first Indian company and the first bank from non-Japan - Asia to be listed on the NYSE. ICICI Bank is systematically important bank in India.



India Market Entry

- Expertise on investment routes
- Assistance in Onboarding, Account Banker
- Presence in multiple geographies

Asset Servicing

- Support new issuances (IPO)
- Corporate actions
- Income collection
- Investment reporting

Trade Servicing

- Trade processing and settlement
- Settlement receipt and delivery of funds
- Client enabled systems to provide instructions
- Multi-currency Foreign Exchange support

Market Development

- Dedicated Relationship Manager
- Fixed Turn Around Time
- Query Resolution
- Web custody online access for clients

Think Cyprus, Think India, Think ICICI !!!



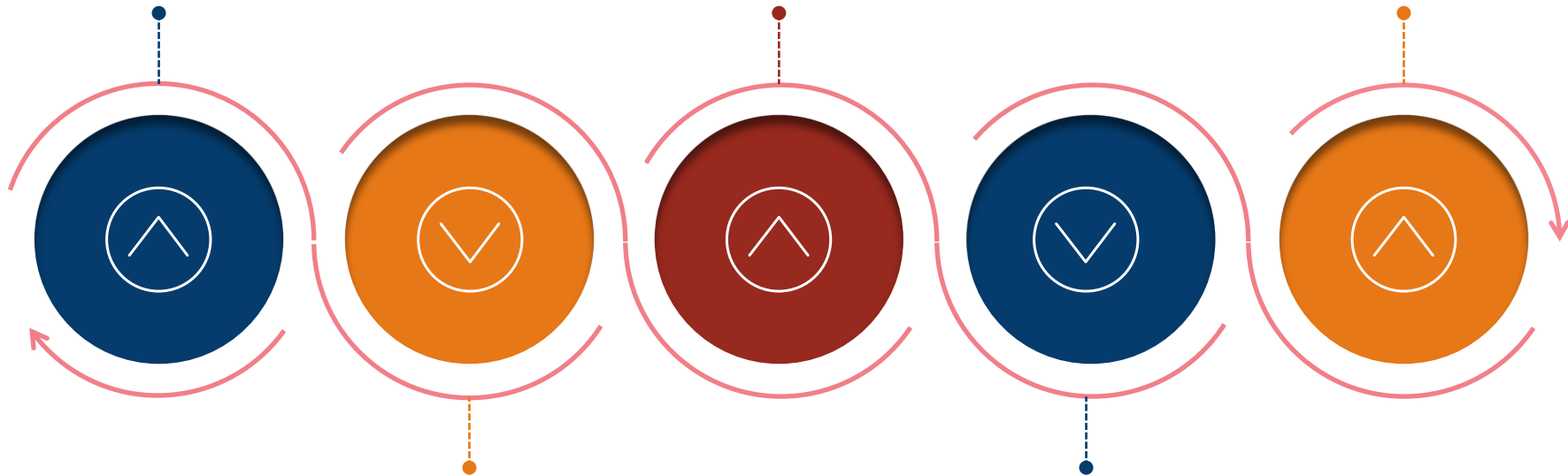
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ICICI Bank Custody Business – Competitive edge

Rated 2 years in a row by Global Custodian, UK

Rated 2 years in a row by Global Finance, US

Leader in DR Business



Offer the widest range of FX services

Customized Solutions for Foreign Investors





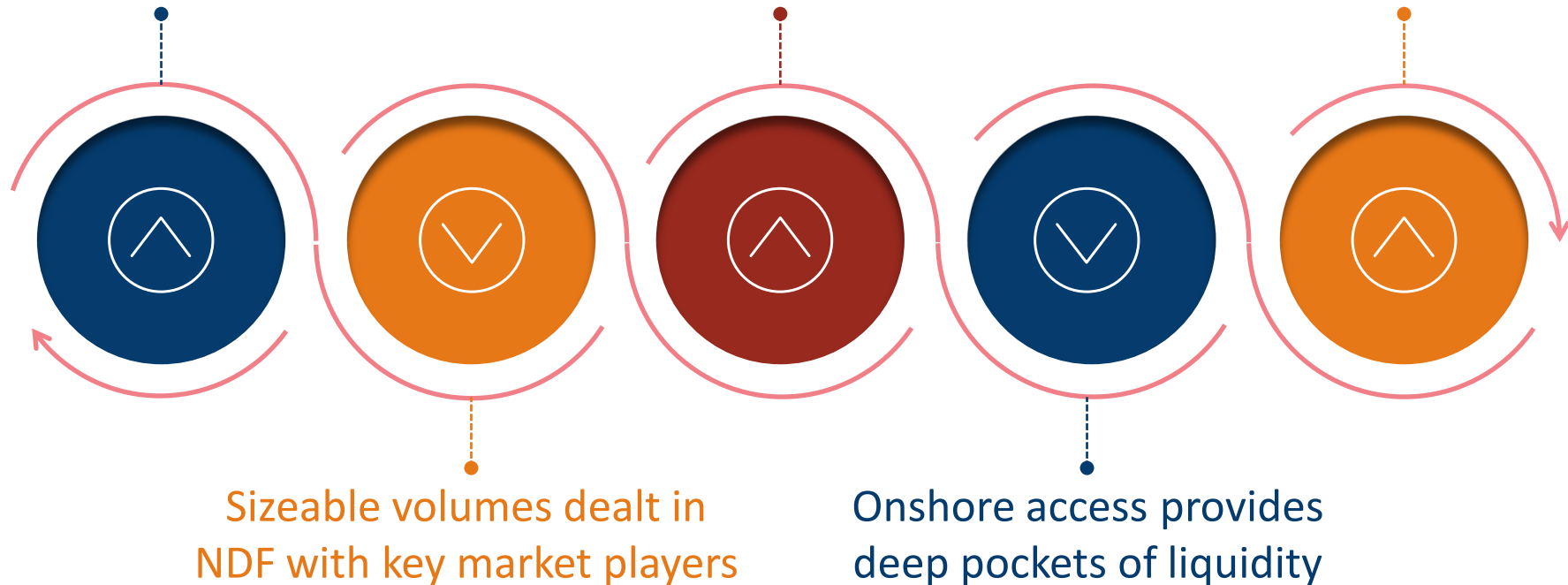
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USD/INR: NDF – Competitive edge

Largest market maker in
USD/INR spot, forward,
swaps and options

Offering NDF in key financial
centers – Dubai,
UK, HK, Singapore and NY, US

Single quote for USD 500-1000mn
10 year plus swaps for balance
sheet hedging





Cyprus: Taxation & Funds setup



Mr. Angelos
Gregoriades

Information

Pre-June 14, 2021: Category II of Regulation 5a(iv) of SEBI(FPI) Regulations eligible from Republic of Cyprus.
Total number of Cat II FPIs in India as of June 25, 2021: 1630 (18)

Effective June 14th, 2021: Cyprus is eligible for Category I Foreign Portfolio Investor ('FPI') registration. This widens the nos of entities that can come through Cyprus. Improves attractiveness of Cyprus. Total number of Cat I FPIs in India as of June 25, 2021: 8503(4)

- ❖ Cyprus Funds can now register as Category I FPI in India, including Registered funds whose investment managers are regulated and have registered as category I FPI.
- ❖ KYC Requirements: Subject to criteria mentioned below, the KYC requirements for Category I and Category II FPIs are same

KYC Details	Category I	Category II
Board Resolution	Not required	Required
Ultimate Beneficial Owner (UBO) proof of identity	Not required	Required
Periodic KYC review	High risk – Annually Non-High risk – Every 3 years	High risk – Annually Non-High risk – Regulated entities: Every 3 years Others: Annually





Mr. Angelos
Gregoriades

Tax Treaty

Particulars	Income-tax Act, 1961*	India – Cyprus tax treaty
Short term capital gains (STCG) on equity shares	15%	As per Act
Long term capital gains (LTCG) on equity shares^	10%	As per Act
STCG & LTCG on Other securities (debt, derivatives)	20%/ 30%	Exempt
Dividend	20%	10%
Interest	5%**/ 20%	10%

*The tax rates are subject to additional surcharge and cess;

^LTCG is taxable on gains exceeding INR 1 lakh;

**Interest on investment in government securities is subject to tax @ 5%

Investors in Category I FPIs are exempt from the applicability of Indirect Transfer Provisions.

Indirect transfer provisions The Indian income tax law incorporates provisions to tax overseas transfers, that is, transfers of shares or interest in an offshore entity where the value of such shares or interest are substantially derived from assets located in India (overseas transfer provisions). Overseas transfer provisions are applicable if, on a specified date (which could be the latest balance sheet date or transfer date, depending on the facts of the case), the fair market value (FMV) of Indian assets (without reduction of liabilities):

- exceeds INR 100 million;
- represents at least 50% of the value of all the assets owned by such foreign company or entity



Setting up a Cyprus Solution



Mr. Angelos
Gregoriades

Pivot provides a seamless Cyprus-India advisory solution for Funds - Initial / Ongoing basis involves:

- ❖ Diverse advisory services: Fund Structuring, Taxation, Banking, Custody (**ICICI Bank**), FX(**ICICI Bank**), Broking services, Fund administration services(Cyprus) & Institutional Investor Services, including coordination with the Custodian for obtaining information on periodic transactions and maintaining necessary records of the same
- ❖ One stop Shop: Provides lowest possible set up & operational costs, significantly higher turnaround time in set up/ activation & client queries
- ❖ Conceptualization & implementation: For the purpose of investing in India & other jurisdictions
- ❖ Expert professionals: Deep understanding of the space, excellent relationship with strategic partners locally & globally. Can set up calls/meetings for better coordination
- ❖ Global Focus: Committed to showcase the attractiveness and opportunity space in Cyprus and Indian Capital markets. Keen to collaborate with the best in the said countries
- ❖ Customised Reports: Ability to develop Customised Reports (e.g fundcount)
- ❖ On ground - In Cyprus & India ensures regulatory and tax compliance, best in class services in respective time zones
- ❖ Promoting Visibility: Hosting Webinars, engaging experts and sharing latest developments with impact analysis



Pivot Cyprus is a CIFA Member as well as Founding member of TSSAG(www.tssag.info)

Setting up a Cyprus Fund : Pivot Solution



**Mr. Angelos
Gregoriades**

1. PIVOT Cyprus: Guidance on the regulatory framework for AIFs and AIFMs and will support you in deciding the optimal structure and business model that best meet your needs and strategy. Liaise with the regulatory authorities and provide answers on the interpretation of the legal framework that affects the strategy and the structure of the fund.
2. Upon receiving directions / decision on the aforementioned, the following application support services are provided:
 - Assistance and guidance with regards to core application documents (i.e. application form, personal questionnaires for shareholders, directors and managers, etc.)
 - Preparing and/or reviewing the Offering Memorandum;
 - Preparing the Memorandum and Articles of Association;
 - Co-ordinating the AIF entire application before CySEC for the granting of the relevant authorisation, and liaising with CySEC and other competent authorities;
 - Making the relevant filings with the Registrar of Companies.
 - Acting as the liaison with the CySEC on your behalf, in order to communicate the progress of the licensing process and get feedback on challenging issues
 - Managing the project effectively in order to co-ordinate resources, meet the agreed timelines and maximize the possibility of the new entity to obtain authorization from the CySEC.

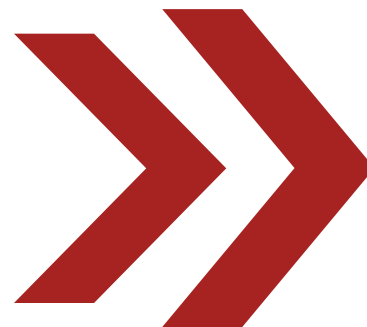
Tax advisory services in relation to the set up and registration of a Company are not explicitly considered. Such services can be added.





Mr. Viraj Kulkarni

Q & A



Enter your
questions

**Please send your questions through the
text box below the video**

Write to us at: custodybusiness@icicibank.com



Expert Panelist



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