PARTNERS ' VIEW
November 2020

WHO IS…?
Marco Di Canio

Marco Di Canio is a dedicated and passionate relationship manager who joined the Wealth Management team at swisspartners on 1 August 2019. As a business economist specialising in banking & finance, Marco began his career at ZKB. Over the course of 15 years he worked in several departments of the bank, where his last job was in private banking for Swiss clients for seven years. Marco heard about swisspartners via an external contact and found that he immediately identified with the company. "I like the family-oriented structure, entrepreneurial thinking and, above all, the focus on providing a personal service to clients to their utmost satisfaction." As a relationship manager, Marco is involved in driving the development and expansion of the Swiss network and acquiring new clients. He also supports his clients in all matters relating to wealth planning.

Since the middle of this year, he has been working in the **ONE by swisspartners team.** Marco has partnered with CEO Markus Wintsch to launch this new service offering.

However, he has never forgotten his roots in his birthplace of southern Italy. On the contrary, he enjoys having strong ties to two different cultures and finds that they complement one another immensely. Marco prefers to spend his free time surrounded by nature, as he finds this is the best environment for switching off – whether out hiking or snowboarding down the slopes. At his home in Zurich old town, he enjoys the proximity to water and sampling the wide array of cultural and culinary experiences on offer – ideally with friends or family whenever possible. Marco can also be found on the football pitch from time to time or, more recently, out and about on his motorbike. If he has any spare time left, he likes to relax by practising mediation, yoga or a reading a good book.

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ONE
the new service from swisspartners

ONE by swisspartners
YOUR WEALTH AT A GLANCE

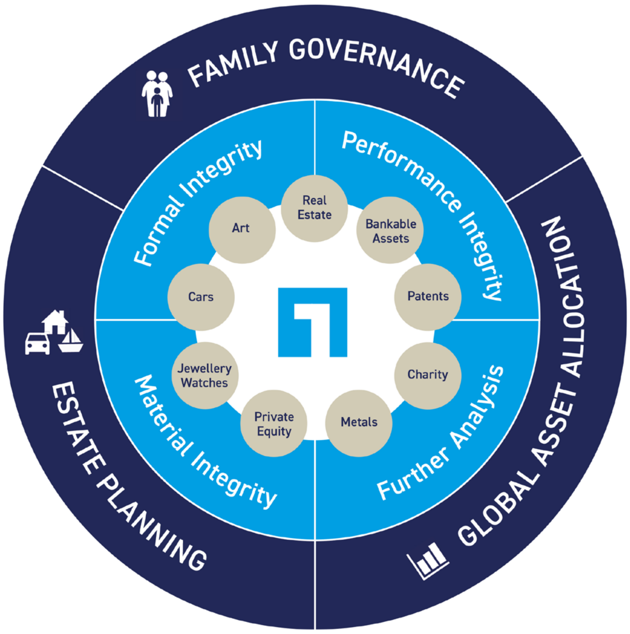
ONE by swisspartners is the solution to an increasingly complex environment and the ever-more challenging issues faced when providing individual strategy consultancy and support to wealthy families and private clients.

Our independent service offers a platform for consolidating assets in a comprehensive and digitalised form – in tandem with targeted analyses of asset allocation and wealth structuring.

This modular service is completely separate from wealth management and is subdivided into three conceptual areas.

Firstly, we consolidate the client's overall wealth situation including non-bankable assets such as real estate, artworks, cars or watch collections in our ALL-in-ONE report.

The structuring process involves unravelling complicated family wealth and assets and presenting the respective ownership situation. We use an encrypted software solution to illustrate the current situation in a transparent and cross-generational form. Besides the option of digital structuring, this software solution offers a secure facility for storing information and documents. The client obtains electronic access to the storage facility and can pass on keys as required. For example, he or she can allow a lawyer or tax advisor to view the data and documents that are relevant to them. The platform is based on zero-knowledge encryption, which ensures that access to any sensitive data is only available to those who are authorised.



Finally, the core component of ONE by swisspartners is our independent analysis of global asset allocation. Once again, clients can choose the areas of analysis that are of interest to them. We can also take charge of aspects such as performance monitoring, cost control relating to custodian banks, products or even foreign exchange transactions. Moreover, we will check compliance with the required allocation ranges and any applicable restrictions. The whole service is rounded off by a range of additional analyses to choose from, such as a property development concept or a collection strategy.

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FORMAL INTEGRITY

Adherence to required allocation ranges

- Asset classes, Currencies, Countries, Sectors, Duration, Bulk risks etc.

Adherence to defined restrictions

- Structured products, Debitor credit ranking, Guidelines for hedge funds, Leverage, Further restrictions

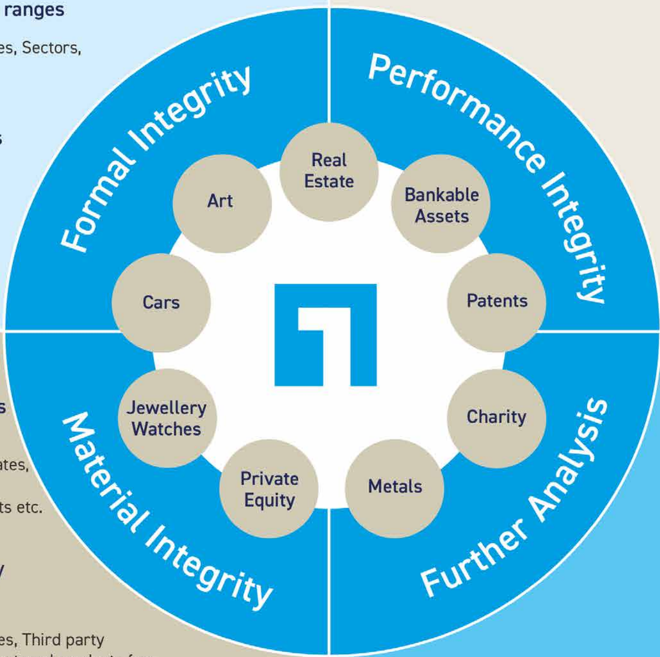
PERFORMANCE INTEGRITY

Performance vs. peers

- Over different periods

Performance vs. benchmark

- Relative deviation over different periods



MATERIAL INTEGRITY

Cost efficiency of custodian banks

- Investment fund fees, Structured products fees, Foreign exchange rates, Custody fees, Transactions fees, Bank peer comparison, hidden costs etc.

Cost efficiency of asset manager/ portfolio manager

- Management fees, Performance fees, Third party refunds, Investment fund fees, Structured products fees

FURTHER ANALYSIS

Risk Metrics

- Exposure after unbundling, Liquidity, Volatility, Value at risk, Other metrics

Investment strategy

- Strategic asset allocation, Terms of Mandate to asset managers, Comparison of strategy with independent market assessment

ONE by swisspartners combines our longstanding expertise and skills across various areas to offer genuine added value.

Would you like to find out more? All you have to do is contact us. We look forward to discussing your needs in detail and meeting you in person.

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WEALTH MANAGEMENT
Hard to Kill

This was the title of the 1990 American action movie starring Steven Seagal, in which the lead character's wife is murdered and he is shot by corrupt police officers working for a corrupt politician. After spending seven years in a coma he wakes up, trains hard, and then proceeds to take revenge on the perpetrators.

It seems to me that the world itself has been in something of a coma for close to a year, but despite a multitude of worries it is recovering month by month. The V-shaped stock market recovery has been hard to kill off, as has the V-shaped economic recovery, which has caught – and continues to catch – most economic forecasters off guard.

Having had the privilege to travel to Iceland in summer several years ago, it is always interesting to observe different cultures and habits. After lengthy winters which feature very little daylight, Icelanders hardly seem to sleep at all during the long summer days, making up for lost time and doing all the things they weren't able to before.

This comes down to human psychology and perhaps explains why we are seeing a spike in Covid-19 cases in Europe (almost certainly to be followed by the USA in due course). The fundamental problem is that the Novel Coronavirus is no longer novel! With younger people in the Western world no longer fearful of fatality, why should they hold back? This trend is unlikely to change unless hospitalisation and death rates among younger people increase substantially or governments impose and enforce penalties that are harsh enough to deter them.

While many people are currently fretting about second national lockdowns, I see them as a distinctly remote possibility. After all, the only thing worse than not having freedom is being given a taste of it and then having it taken away. Any democratic government that tries to force the issue is unlikely to remain in power for long.

Of course, the current environment has thrown up many conundrums:

- Why have women leaders been more successful in supressing Covid-19?
- Why have populist leaders been singularly unsuccessful in doing so?
- Why has Asia been more successful than the Western world?
- Will this accelerate what is already a highly advanced shift in economic power from west to east?
- Is the current form of capitalism in the Western world the correct model, or is it building a time bomb in the shape of a K-shaped recovery?
- Will the fear of further lockdowns actually boost consumption?
- Why is the queue to vote in India shorter than that in the US?
- When will Brexit end?

Instead of adopting the usual approach of talking about the US election ad nauseum, since there is actually no empirical evidence to show that the choice of president makes any difference I thought it might be useful to make some longer-term predictions. I would, however, urge readers not to ignore the obvious, and while many are fretting about terrible outcomes, the financial markets are taking great delight in wrong-footing the maximum number of participants. What if everything went smoothly and there was a quick and clear result? This would definitely catch most people off guard

So I shall now put my neck on the chopping block!

We are still in a secular bull market for stocks (perhaps the greatest one I will see in my career). Secular bull markets (long-term uptrends) tend to last for at least 14 and sometimes as much as 20 years. By my estimation this one started in 2013, so we are only halfway through it. The second halves of secular bull markets are the most powerful in terms of percentage gains. Of course, this does not mean that equity markets will exhibit a linear upward trend every day, but the trajectory will be sharply higher over the next seven years or more.

The secular bull market in bonds is over. Of course there will be days and months when investors will be glad to have some exposure, but longer-dated bonds are likely to be among the worst performing asset classes for an extended period of time. Short-dated bonds will perform better in relative terms as central banks control the yield curve.

Central banks are finally going to be successful in hitting their inflation goals after more than 10 years of failure. In fact, they are going to turn a blind eye to an inflation overshoot. The amount of fiscal and central bank stimulus is truly awesome (with much more to come) when compared to the support provided after the great financial crisis of 2008, which was actually much more damaging in economic terms than the exogenous shock we are currently facing.

The secular bull market in stocks will eventually end in the good old-fashioned way once central banks have to raise interest rates aggressively because they have let inflation run out of control, but the runway and gains for equity investors will be sufficiently large to make what might be described as indecent returns.

Those investors who are cautious at the moment and many more who have been on the sidelines since 2009 will eventually be sucked in towards the end (as always), just in time for the euphoric top before a three to five-year bear market.

The current winners of the pandemic (let's just call them "misery stocks") are likely to be significant underperformers for a considerable period of time as sometimes valuations (yes, they still matter and will eventually matter again) reflect circumstances that are as good as they get. Pandemic losers (economically sensitive or, in simple terms, "party stocks") are likely to produce a huge outperformance.

We are probably going to see a rather large consumer spending boom (aided by large savings rates) and a multi-year travel boom as people more than make up for lost time

In the very immediate term we as individuals are probably feeling somewhat depressed. But as the song goes, it will not be too long before the future is so bright I'll have to wear shades.

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SWISS INSURANCE PARTNERS
International Health Insurance When Relocating To, and Out of Switzerland

Every relocation entails risks and uncertainties for you and your family. But with professional assistance and planning, these issues can be reduced to a minimum. On the day of your relocation, either as an expat, a student or for a temporary or permanent change of residence, you should have peace of mind that all the necessary arrangements have been made for the next chapter in your life. The same holds true for health insurance – a small, but essential aspect of everyone's life that is often forgotten by clients and advisors alike.

Relocation to Switzerland – what inbound expats need to consider

For individuals and families wishing to relocate, Switzerland is a highly popular destination. There is a wealth of reasons for the country's popularity, including its political stability, strong economy and high-quality healthcare system, among many others.

The Swiss health insurance system

Once you have established your residence in Switzerland, you will be required to sign up for mandatory Swiss health insurance. The so-called KVG (or LAMAL in the French-speaking areas of Switzerland) is the mandatory basic health insurance provision that every resident in Switzerland must have. The deadline for acquiring the Swiss basic health insurance is three months after moving in at your new residence. The KVG is offered by more than 50 Swiss health insurance companies. Some of the best-known providers include CSS, Visana, Swica, Helsana and KPT. These Swiss health insurance companies are obliged to accept and insure you for basic insurance without a medical examination. There are a range of different insurance models that define both, how you can access healthcare when required, and the level of your monthly health insurance premium. For example, telemedicine models require you to first call a doctor of the health insurer, to whom you will need to describe your symptoms and state of health. After assessing your condition, if required, the doctor will send you to a specialist who will provide appropriate treatment. The HMO (health maintenance organization) and Hausarzt (general practitioner) models operate in a very similar way. Your first point of contact is always your family doctor, who is a GP. If he or she cannot treat your health condition, they will refer you to a specialist.

The basic KVG health insurance includes the essentials, but no more. Alternative medicine, single rooms at hospitals and clinics, eyecare cover, dental cover, access to private hospitals and other benefits are not included. You are also required to seek care in your canton of residence, and from doctors and medical institutions based in that canton. In short, the KVG covers only basic requirements and does not include free choice of doctors or hospitals.

There are various options to extend your health cover with supplementary insurance – called VVG (or LCA in the French-speaking areas of Switzerland). This offers modules to extend the insured benefits and to offer a free choice of hospitals and doctors in Switzerland. This supplementary insurance is always subject to a medical review that comes in the form of a questionnaire. Those with pre-existing conditions and health problems are often rejected and are not given access to supplementary health insurance.

When leaving Switzerland, you will be required by law to cancel your insurance and seek new health cover in your future country of residence. Exceptions may apply in specific cases, such as retired people who receive a pension from Switzerland.

Recommendation for international individuals and families – private insurance with an international insurer

Especially for inbound expats who travel from time to time or are not yet sure they wish to reside in Switzerland permanently and for the foreseeable future, it is advisable to choose private supplementary insurance with an international health insurance company. You will be covered worldwide (also when traveling or on

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holiday), and you will have a free choice of hospitals and doctors across the world, including private hospitals. The insured benefits are also much more attractive since alternative medicine, preventative medicine and medical evacuations are often standard. Because this is a supplementary insurance policy, a medical review is required before you can be accepted. However, in our experience international insurance companies sometimes have more room to accept individuals with preexisting conditions.

If you are unsure whether you will be staying in Switzerland permanently, it is a must to consider international health insurance providers. Once you are subscribed at an international health insurance provider, you can renew you policy for life, and you can seamlessly continue the insurance without medical examination if you leave Switzerland. This is a huge advantage that is often underestimated, but is crucial for all individuals approaching 40 and beyond.

Unfortunately, Swiss health insurance companies will not inform you about the options offered by an international provider. As profit-driven organisations, they naturally want to sell their own products.

The next paragraph provides further details on why international health insurance providers are better suited for those relocating out of Switzerland.

Relocation out of Switzerland – what outbound expats need to consider

If you decide to move out of Switzerland later in life, you will also be leaving one of the best healthcare systems in the world. But this will not necessarily mean that you cannot benefit from its excellent care anymore.

Upon leaving Switzerland, you will be considered an expatriate in insurance terms. This will allow you to access health insurance plans that are not available for "local nationals". Local nationals are individuals whose citizenship is that of their country of residence. International health insurance with for example Bupa, Cigna, Swiss Global Insurance or Now Health will enable you to return to Switzerland for any treatment or surgery. A free choice of doctors and hospitals allows you to select your preferred medical institution and the most experienced doctor to advise and treat you. If a specific treatment or medication is not available in Switzerland, you may also go to the USA, or wherever available.

Most of times, business professionals who move away from Switzerland will subsequently relocate again. Businesspeople mostly relocate several times due to international assignments and may even move back to Switzerland at some point in time. Insurance products that are specifically designed for globally mobile people can be seamlessly continued with every relocation, with a minimum of administrative effort, and most importantly, without the need for a medical examination and the underlying risk of losing coverage due to health problems. Once having developed certain conditions, you may be stuck forever with the insurance policy that you hold at that time. This could even prevent you from relocating again at a later stage – unless you are willing to pay for any treatment costs relating to your health problems out of your own pocket.

International health insurance with Swiss insurance providers

Some Swiss health insurance companies also offer international cover for individuals moving abroad. In our experience this often leads to complications, and the service provided may prove to be unsatisfactory when it is urgently required.

You may be wondering why Swiss health insurance companies are not the right choice for those relocating out of Switzerland. There is a plain and simple answer to this – they are set up to work for Swiss residents seeking medical assistance in Switzerland, not outside of the country. An excellent international health insurance company has a worldwide medical network, with offices on every continent. The insurer therefore knows which hospitals have the required experience to manage a health problem. The provider understands the local healthcare system, speaks the language and has direct access to decision makers. Not having these capabilities often leads to a lack of service quality just when it is urgently required. There is no direct billing system in place to save you from having to pay for the treatment yourself and subsequently go through a time-consuming reimbursement process.

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Furthermore, local Swiss insurance companies are not known outside of Switzerland. If a hospital is not certain it will be paid for the care it provides or has concerns about the workload involved in obtaining payment, patients may experience an extended wait before they can see a doctor. Providers such as Cigna or Bupa are well known around the world and their brand offers hospitals a guarantee that their costs will be covered. Naturally, people with insurance policies from providers like these are usually the first to get an appointment.

In summary, when relocating it is always essential to seek professional advice on how best to maintain health insurance cover. Numerous considerations need to be taken into account, and your satisfaction with a policy often comes down to the small written details of an insurance policy. International insurance policies promise excellent cover. However, the actual service really makes the difference when determining the value of a health insurance.

SIP Swiss Insurance Partners®

Swiss Insurance Partners is a Medical Family Office with its headquarters in Zurich, Switzerland and further offices in Liechtenstein and Malta. For more than 20 years it has been our mission to safeguard and plan the health of our clients around the world.

Our five-pillar approach helps to proactively manage the wellbeing of individuals at every stage of life. This encompasses international health insurance, privileged healthcare, preventative medicine, medical records management and the SIP Patient Guardianship.

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FIDUCIARY SERVICES SWITZERLAND
Brexit and the impact on bilateral relations between the United Kingdom and Switzerland – what happens after the transition period?

Brexit in brief

June 2016 saw a small majority (51.9%) of the British electorate vote in favour of leaving the European Union. A decision was made on 23 June that year, and as history has frequently shown, no-one really had a guide to what was supposed to happen next. To quote the writer Franz Kafka: "Paths are made by walking." The UK has chosen its path and has exited the EU.

There remains no shortage of talk, debate and negotiation on the political stage. But what exactly does Britain's exit from the EU mean for UK citizens who are already in Switzerland? What arrangements will apply to UK citizens who do not arrive in Switzerland until 2021 onwards? This article aims to set out the most important consequences of a far-reaching and historic new environment. Or at least it will attempt to do so, as not all the legal issues have been clarified as things stand.

Transition period – existing legal situation applies until 31 December 2020

The EU and the UK agreed on a transition period from the exit date until 31 December 2020. As relations between Switzerland and the UK are largely based on the bilateral agreements concluded with the EU, these accords will remain in force until the end of the transition period. In other words, there will be no changes at short notice between now and the end of the year, and the existing legal framework will continue to apply. The transition period may be extended by one or two years.

Accordingly, the Agreement on the Free Movement of Persons (AFMP) – which is probably the best known of the bilateral agreements – between Switzerland and the EU will remain in force until 31 December 2020.

Legal situation once the transition period has expired – probably from 1 January 2021

In principle, the bilateral agreement between Switzerland and the EU will no longer apply to relations between Switzerland and the UK. However, the United Kingdom is an important economic partner for Switzerland. As a result, Switzerland has already drawn up new agreements with the UK, with more to follow, in order to guarantee – and in some cases even extend – the existing rights and obligations as far as possible for the time after the transition period expires.

What are the arrangements for UK citizens who are already in Switzerland?

One of the most important agreements, which has already been signed, is the "Agreement between The United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation on Citizens' Rights following the Withdrawal of the United Kingdom from the European Union and the Free Movement of Persons Agreement". In principle, this provides for the retention of the rights of both nations' citizens, including their existing residency rights, as acquired under the AFMP. The agreement will enter into force on 1 January 2021 unless the transition period is extended, in which case it will become law once the transition period expires.

Essentially, UK citizens who have obtained a residence permit by the end of the year will not have to take any action. A new residence permit may be introduced by the authorities or issued when existing permits expire. UK citizens will receive new biometric residence permits in credit card format.

The agreement aims to ensure that as little as possible changes in terms of social security insurance and that the rights acquired of those who are already integrated into the Swiss social security system are safe-

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guarded. As a result, entitlements to social security will be maintained. This means that contributions made to pensions or unemployment insurance will still be recognised. A1 certificates issued before 31 December 2020 on the legal provisions to be applied in respect of social security will also remain valid.

Furthermore, professional qualifications will continue to be reciprocally recognised. Those who are still in education and training will have to complete their course within four years in order to benefit from reciprocal recognition of the relevant qualifications.

Families will still be able to join their family member living in Switzerland within five years, after which family relocations will be governed by the Swiss Federal Act on Foreign Nationals and Integration (AIG).

UK citizens will remain exempt from the visa requirement for short stays in Switzerland as tourists (up to 90 days in any 180-day period).

What rules apply to UK citizens entering Switzerland from 2021 onwards?

UK citizens intending to migrate to Switzerland after the end of this year are not covered by the above-mentioned agreement. The provisions detailed below should therefore be taken into account from 2021.

One new aspect is that the Swiss authorities may require UK citizens to produce a police disclosure certificate before issuing any new short-stay, residence or border commuter permits.

Self-employed persons and companies can no longer benefit from preferential market access under the AFMP (up to 90 days per calendar year) when commencing the provision of person-related services. In general, the conditions under the WTO's existing General Agreement on Trade in Services (GATS) will apply. Service provisions that began before 31 December 2020 can be continued.

As part of its "Mind the gap plus" strategy, Switzerland is holding talks with the UK on a future immigration scheme. Unless an additional bilateral agreement is concluded, the practice of giving priority to Swiss residents would also apply to the detriment of UK job applicants and residence permits would be subject to quota limits. At the same time, Switzerland reserves the right to administer separate quotas for UK nationals.

Another new feature is that the rules of the Swiss Federal Act on Foreign Nationals and Integration (AIG) regarding the assessment of criminal offences will apply to UK citizens. In the absence of an additional agreement, this could lead to the expulsion of a UK national in the event of a conviction.

Future rules on social security have not yet been defined.

Buying property in Switzerland

The Swiss Federal Act on the Acquisition of Real Estate (BewG or "Lex Koller") and the cantonal regulations govern the purchase of property by those classified as "persons who are resident outside Switzerland". Under this law, persons resident outside of Switzerland are subject to restrictions on purchases of residential property, but not on purchases of business premises or production facilities.

UK nationals who are already legally and effectively domiciled in Switzerland have the same rights as Swiss citizens and are not classified as "persons who are resident outside Switzerland" pursuant to Lex Koller. In other words, they are exempt from requiring a permit for any purchase of residential property. This exemption constitutes one of the acquired rights under the agreement that has already been signed with the UK and will therefore continue to apply after Brexit. However, this will require a specific amendment to the Lex Koller law.

UK citizens who move to Switzerland after Brexit will have the same rights as third-country nationals and will only be eligible to buy residential property if it is intended to be their main residence and they have a type B residence permit. Thus, for these individuals, a type C settlement permit offers the only means of obtaining unrestricted access to purchasing property.

Even after Brexit, UK citizens who live abroad and have no legal or effective domicile in Switzerland will be subject to the Lex Koller restrictions regarding the purchase of second or holiday homes in line with all other foreign nationals living abroad.

Conclusion

Switzerland's "Mind the gap" strategy has laid the core foundations for relations between the UK and Switzerland after Brexit, regardless of what form this will take at the beginning of next year. Both countries are still in negotiations to protect their economic interests and ensure that they are not in a worse position than they were under the previous agreements with the EU. This has created a new category of foreign national for the treatment of UK citizens, involving different regulations across many areas compared to those applicable to nationals of EU/EFTA and/or third countries.

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TRUST & CORPORATE SERVICES
Fund structures: Latest trends

The use of alternative investment funds established by high net worth families has grown in recent years. In response to ongoing significant fiscal reforms and increasing pressure on offshore centres such as the Cayman Islands, professional advisors are increasingly recommending that wealthy families establish private family funds in Singapore. In addition, a growing number of fund managers with a focus on Asia are discovering the appeal of Singapore. For funds with an Asia-Pacific focus or with a local investment management presence in Asia, Singapore funds offer a compelling solution. Singapore has a highly developed regulatory regime for investment managers and an attractive tax regime for funds. All forms of Singapore funds, including the variable capital company (VCC), provide a tax-efficient and low-risk platform for investments into Asia-Pacific countries such as China, Japan, India, Australia and South Korea.

On 15 January 2020, the Monetary Authority of Singapore (MAS) and the Accounting and Corporate Regulatory Authority of Singapore (ACRA) launched the VCC, a new corporate structure within which investment funds can be created.

The VCC is regulated under the Variable Capital Companies Act 2018 (VCC Act) and is a new corporate structure for all types of collective investment schemes in Singapore. Under the VCC Act, foreign corporate entities may also be re-domiciled to Singapore provided that the relevant conditions are satisfied.

The obligations of a VCC in respect of anti-money laundering and combating the financing of terrorism are supervised by MAS. The VCC must be approved by MAS. Thereafter, supervision by MAS is conducted directly and indirectly via the local fund manager/custodian.

The benefits of a VCC include the following:

Improved operational efficiencies

- US "check the box" election
- A VCC may be used as a pooling and investment vehicle, removing the need for multi-tiered fund structures
- The financial statements of a VCC are not public
- A VCC can be set up for different types of funds, including traditional mutual funds, private equity, hedge funds and even real estate funds
- A generous MAS grant that covers up to 70% of the set-up costs capped at SGD 150K per VCC

Tax benefits

- Availability of exemption from Goods and Services Tax (GST) for the VCC (even if it is not GST-registered)
- Availability of a Certificate of Tax Residence and over 80 DTAs
- Withholding tax exemption
- 10% concessionary tax rate under the Financial Sector Incentive – for the fund manager

Similarly, and again in response to the heightened pressure on offshore centres, advisors to European families and European fund managers are now exploring other jurisdictions that offer high-quality professional services at attractive and competitive rates. Cyprus is one such jurisdiction. Cyprus is a full member of the European Union and is fast becoming one of the top emerging investment fund centres in Europe, continuously upgrading its legislative and regulatory framework, which is fully aligned and in compliance with EU directives relating to the fund industry. There is an emphasis on investor protection and transparency, while at the same time Cyprus offers stability, cost and tax efficiencies to investors. Cyprus has one of the lowest corporate income tax rates in the EU (12.5%), whilst complying with EU directives and OECD requirements. Cyprus also offers numerous and significant options for international tax planning, both at a corporate and individual level, with an extensive double tax treaty network encompassing 64 countries, with more being negotiated.

The Cyprus Securities and Exchange Commission (CySEC) is the independent public supervisory authority responsible for the supervision of the fund industry in Cyprus. CySEC's mission is to develop the Cyprus securities market into one of the safest, most reliable and attractive destinations for investment, with a commitment to fair and effective supervision to ensure investor protection. The three main categories of alternative investment funds (AIF) and their main characteristics are set out below. Cyprus offers three types of alternative investment funds:

Registered alternative investment fund (RAIF)

- Not subject to authorisation
- Speed to market
- Always externally managed

Alternative investment fund with unlimited number of persons (AIFUNP)

- Regulated
- Diversification rules may apply
- Dependent on the type of investor

Alternative investment fund with limited number of persons (AIFLNP)

- Lightly regulated
- Limit of 50 investors

What is interesting about these AIFs is that there are no restrictions on the nature of the assets to be held/acquired – or even contributed in kind – in such funds. Assets may range from shipping vessels to real estate, private equity and public equity. Each of these AIFs can work as umbrella funds and include compartments.

Some of the key benefits of a Cyprus AIF are as follows:

- Cost-effective and simple to set up, manage and operate
- Modern regulatory framework in line with EU directives
- Passport to Europe and established connections to diverse investor markets
- Full transparency, with annual reports to CySEC and investors, which include financial statements, borrowing information, portfolio information and net asset value calculations
- Significant tax incentives offered by Cyprus's attractive tax framework

Fund tax breaks:

- Gains from trading in securities are tax-exempt
- Dividends received are tax-free (as long as distributable profits did not arise from passive income)
- Notional interest deduction (NID) for new equity may reduce taxable base of interest received by up to 80% (for company type funds), reducing effective tax on interest to 2.5%
- Any capital gains arising from the sale of property abroad, or capital gains from the sale of shares of foreign property companies, are excluded from tax
- No subscription tax on the net assets of the fund
- Each compartment of an AIF is treated as a separate person for tax purposes

Investor tax breaks:

- No withholding tax on dividends
- No taxation on unit redemptions

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