



# TRIDENT TRUST

## Family Ties

### Why family offices are heading to Cyprus

Just a few years ago, Cyprus was the ‘new kid’ on the fund management industry block. Now, that kid is rapidly growing, blossoming and reaching maturity. The last five years have seen the country’s assets under management (AuM) grow from €2.1 billion in 2012 to €7.7 billion in 2019, with the figure predicted to reach €20 billion in the next five years.

In short, Cyprus is well on the way to becoming a major fund management industry player in Europe, alongside longer-established jurisdictions such as Ireland and Luxembourg. This is, of course, against the ever-present background of Brexit, its shifting uncertainties and as yet unknown long-term outcomes. While it’s entirely plausible that London as a financial centre will survive the UK’s re-evaluation of its future position in Europe, there are certainly opportunities opening up for other players – and Cyprus is well placed to take advantage of them. What is making Cyprus particularly attractive to fund managers? Having one of the lowest corporation tax rates in Europe, at just 12.5%, is key. Various tax benefit schemes are also available. These include a rate of just 2.5% when capital is injected into a fund under certain conditions, and a discount of 50% on personal income tax for fund managers with an income of more than €100k. The fund regime is flexible, as there are no restrictions around which assets can be held within which fund, but also offers AIFMD-compliant solutions for European passporting. The setup costs for a fund in Cyprus – licensing, having a depositary, a fund administrator, non-executive directors,

and the like – are more cost-effective than in both Luxembourg and Ireland. Cyprus has also signed double tax treaties with more than 60 countries, and English – the international language of business – is widely spoken.

At Trident Trust in Cyprus, we have also seen that setting up on a small island with a highly welcoming, multicultural, educated and friendly environment is proving particularly attractive to high-net-worth family offices choosing to restructure as funds. As they grow, many are finding that regulated fund structures are increasingly necessary and helpful in managing the family’s assets. Using a fund structure provides a recognised and well-established legal framework, which allows the family office itself to become a multi-family office, private equity fund manager or boutique wealth manager.

This structure also allows greater control over the assets being managed and provides the opportunity for the

family office team to be incentivised in line with their peers in the corporate fund management environment. The application of regulation and the use of independent administrators, auditors and non-executive directors, gives additional comfort to the family whose assets are being managed that there are appropriate checks and balances, and that the assets are being securely held.

These key elements of control and incentivisation appeal even to single family offices keen to adopt a fund-type structure for their assets. A fund structure can provide an element of control to the family office in the same way a fund manager controls a private equity fund. The family office can own the shares in the general partner that manages the limited partnership and contracts on behalf of the investors. By extension, a fund structure also permits

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the family office to be remunerated in a way which is consistent with fund managers and aligns their interests with the families whose assets they manage. This usually involves an annual management fee, plus a carried interest fee with respect to illiquid investments, which incentivises the family office team to maximise returns.

At Trident Trust, we have a combination of global reach, local knowledge, and expertise in both traditional private client structures and a wide variety of alternative investment funds, enabling us to meet the needs of the modern family office. We have been present in Cyprus for more than twenty years and our 80-strong local team has accumulated a deep knowledge and contact base. Our experienced team is able to assist new managers unfamiliar with the jurisdiction, arranging meetings with other key market participants as required. We work with many local banks for depositary services and are approved introducers for the island’s international bank. Our professional staff in Cyprus have studied at international universities and worked abroad, before returning to the island with a high standard of spoken and written English and international commercial experience. The team also works very closely with Trident Trust’s fund administration team in Malta, which is one of the Group’s key international fund administration hubs.

We have worked with a number of family offices seeking to transfer their operations to Cyprus. We are able to partner with organisations seeking to make such a move, from the beginning of the pro-

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cess right until the end, starting with an analysis of whether a fund structure is a good fit with their requirements. After all, it is not a step to take lightly. Once the decision has been made, our team in Cyprus can easily access any specialist expertise required. We also offer a full suite of fund administration services, including due diligence on potential investors, net asset value calculation, accounting and financial reporting.

Establishing a family office in a new jurisdiction also requires a grasp of many other details, so we assist with all the other administration that comes with a new office. This might involve immigration procedural requirements and concierge services, such as finding suitable schools and accommodation. For Cyprus, family offices are just the beginning. Fund managers rightly seek good relationship management, reputation and trust when deciding where to base their operations, and more are hearing from their family office clients that this



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**CYPRUS IS WELL ON THE WAY TO BECOMING A MAJOR FUND MANAGEMENT INDUSTRY PLAYER IN EUROPE, ALONGSIDE LONGER-ESTABLISHED JURISDICTIONS SUCH AS IRELAND AND LUXEMBOURG**

island is the place to be. Opportunities are opening up for forward-thinking family offices and fund managers eager for a new and exciting destination. These days, the new kid on the block is well and truly established.

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