

Charting Cyprus' future role in the global financial services sector

Brexit could create opportunities for Cyprus, potentially drawing companies looking to relocate from the UK to EU jurisdictions offering the benefits of the single market



MAP S.Platis has been instrumental in the development of Cyprus as a regional business centre in the financial services field. The country is strategically located between three continents, near the Middle East and is relatively close to ex-CIS countries, including Russia, being at the same time a European Union (EU) and eurozone member under the single EU market.

The island's authorities appreciate the financial services industry better than many in the EU and provide it with the necessary governmental support at the highest level, hence its evolution into a hub in recent years, during which MAP S.Platis has played a critical and decisive role.

Cyprus maintains a developed infrastructure with a highly-educated and skilled workforce driving its competitiveness, while boasting a very favourable tax regime. It has recently successfully concluded a thorough review by EU authorities and is on track for growth, making it a credible jurisdiction for a series of business models including investment firms, funds and fund managers.

Certain factors are critical at this juncture for the island to remain a competitive jurisdiction and enhance its position and appeal with the international business community and investors in the financial field. I focus below on three main pillars.

BREXIT

The decision of the British voters to exit the EU is unavoidably the most important political and economic

development of recent months globally and one which shall probably have a long term impact on various fronts affecting Cyprus. It raises a number of questions and uncertainty with which the government should actively engage, managing sufficiently and minimising any negative consequences. Issues like a financial transactions tax and the stability of Cyprus' tax environment can more easily come under criticism without a strong ally in the European Union.

At the same time, Brexit could create opportunities. For example, companies may be looking to relocate from the UK to EU jurisdictions offering the benefits of the single market. The private sector and the government should concentrate on acting pre-emptively, while at the same time working side by side to turn opportunities into gains in the following months or years, as it increasingly appears this shall be a long and bumpy process.

PROMOTION AND SUPPORT OF BUSINESS INITIATIVES

Local consultants should continue undertaking intensive marketing exercises, mostly outside Cyprus, to promote the benefits of setting up locally. This could be done both on an individual basis and under certain dedicated groups such as CIPA or CIFA. Certain specialised products such as funds and fund managers should be the subject of targeted campaigns in foreign financial centres where decision-makers are based. Marketing initiatives should be supported by the government actively and the presence of regulatory authorities or government officials, including ministers, is critical for building a convincing case.

Coordinated actions should also be directed towards promoting the brand of Cyprus as a jurisdiction, especially after the island underwent a series of drastic changes in the fields of regulatory compliance and anti-money laundering,

and with the recent rubber stamp of the European Commission, the European Central Bank and the IMF.

REGULATORS AND GOVERNMENT AUTHORITIES

Financial regulators, mainly the Cyprus Securities and Exchange Commission and the Central Bank of Cyprus, need to continue developing alongside their industries, possess the necessary know-how and resources to approve new licences and perform effective supervision, while at the same time maintaining a business-friendly approach.

We should be as efficient as possible to examine and approve new licences for the provision of regulated services.



Authorities such as the Registrar of Companies should facilitate the establishment of companies and the issuance of certificates. We have moved a long way in this respect, but we can improve further, ahead of competitive jurisdictions against which we are assessed. Electronic methods of submission should be adopted across all processes.

Supervision has to focus on substance, finding clever and efficient ways to be effective, without at the same time, adding excessive burden or imposing overwhelming constraints to regulated entities. Collaboration and continuous communication with local consultants is imperative in this respect. Local

substance – personnel and offices – coupled with facilitating foreign investors' involvement from outside Cyprus should be promoted, as this will provide regulators more comfort in the long term, while benefiting Cyprus the most.

Regulators and government authorities should also maintain a business-friendly approach, conveying a positive message for people to operate in Cyprus. This doesn't mean that the quality of supervision should be compromised at any time. Instead, it implies that authorities, especially regulators, are available to meet, guide investors and create regulatory certainty, avoiding ambiguities.

Lastly, the government via the Ministry of Finance and Tax Department should aim at maintaining economic stability and expanding the country's network of double tax treaties, while developing further a preferential tax regime, factors underpinning the jurisdiction's development in recent years.

MAP S.Platis, as the firm which led the process of turning Cyprus into one of the EU's financial services hubs, has been and remains supportive in this respect, with initiatives and resources allocated actively to support the objectives above.

Boasting the largest number of regulatory compliance consultants specialising in the financial industry in the region, maintaining the highest professional standards and having applied and tested relevant business models repeatedly in the past, it is an ideal partner. Our excellent track record and strategy underpin our commitment to addressing our clients' needs, responding effectively to change and maintaining a leadership position in the industry.

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