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# PwC Israel Round Table Event

*Using Cyprus as a second base*

25 April 2017



**pwc**

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# ***Agenda***

- **Trends for HNWIs**
- **Why Choose Cyprus?**
- **The Cyprus Economy – An Overview**
- **Cyprus Citizenship by Investment**
- **Using Cyprus on Corporate Structures and tax incentives**
- **Cyprus as a base for your family Office**

# *Trends for HNWIs*



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# *Why choose Cyprus?*

# Cyprus at a Glance



*Cyprus was ranked as the safest country in the World among countries with less than 5 mln citizens (Value Penguin Survey 2015)*

*2nd Best Climate worldwide (InterNations 2016)*

# Why choose Cyprus?

## ***Pro-Business Legal Framework***

- Cyprus companies and entities can be created in a short time frame with immediate operations

## ***Quality service at competitive prices***

- Professionals trained at traditional financial centers (UK, US)
- Services offered at competitive prices

## ***Foreign Direct Investment***

- FDI policy has been liberalised for both EU and Non-EU nationals
- Incentives provided by the Government

## ***Infrastructure***

- Robust telecommunication system
- Frequent direct flights to and from Cyprus

## ***Taxation***

- Attractive Tax system
- Double Tax Treaties with more than 47 countries

## ***Shipping***

- Internationally renowned shipping center
- Largest third party Management center in the EU

# *The Cyprus Economy – An Overview*



# *The Cyprus Economy - An Overview*

**01**

The Cyprus economy after 4 years of consecutive contraction has returned to growth (1,5% in 2015 – 2,8% in 2016). Public finances continue to impress

**02**

Government debt to GDP forecasts have been revised downwards (down to 104% in 2017), allowing the government more flexibility in increasing spending

**03**

The banking system is adequately capitalized and liquidity in the system has significantly improved

**04**

Confidence in the economy has been restored. This is reflected in the latest upgrades of the credit rating agencies and the 7+10 year bond issues

**05**

Competitive advantage in sectors such as tourism, shipping and professional services

# *The Cyprus Economy - An Overview*

**06**

Extensive network of Double Tax Treaties with the Troika supporting our international business model

**07**

Privatizations and structural reforms in the public sector (e.g. Cyprus Ports)

**08**

Multinationals establishing HQ and regional offices in Cyprus

**09**

Hydrocarbon prospects

**10**

Positive tax reforms passed / to be passed by the Parliament

# *Cyprus Citizenship by Investment*

# Why Cyprus Citizenship?

**01**

## *Freedom of Movement*

Travel, reside, study and work within the EU

**02**

*Investor and all family members can obtain the **Cyprus Citizenship** (i.e. spouse, children under 18 years and adult dependant children aged 18 - 27 years old)*

**Second personal and/or business base**

**03**

*Free movement of **Capital, Goods and Services***

**04**

***Parents of main applicant** can obtain the Cyprus Citizenship with an additional residential property of a minimum of €500.000*

# Legal Framework of the *Cyprus Citizenship Program for Investors*

First introduced in 2007

Subsection (2) of Section 111A of the Civil Registry Laws of 2002-2015 provides that the Council of Ministers may, under any conditions it determines as appropriate, to allow the Naturalization of foreign investors.

The Council of Ministers' Decision (dated 13/09/2016), describes the economic criteria and requirements for granting non Cypriot Investors, the Cyprus Citizenship by Naturalization.

300 approved PwC cases

	2007 - 2012	2013- 2014	2015	2016
Indicative number of investors Naturalised (annual)	20-30	100-140	300	400
<b>Total (approximate)</b>	<b>1,100</b>			

## ***Economic Criteria – Applicant must invest in:***

<b><i>Investment type</i></b>	<b><i>Investment of €2M (excl. VAT)</i></b>	<b><i>Residential property of €500.000 (excl. VAT)</i></b>	<b><i>Total Investment (excl. VAT)</i></b>
A.1 Investment in real estate, land development and infrastructure projects			
- Residential properties*	✓		<b>€2M</b>
- Commercial properties / Land development / developments in the tourism sector / combination	✓	✓	<b>€2.5M</b>
A.2 Investment in financial assets of Cypriot companies / organizations**	✓	✓	<b>€2.5M</b>
A.3 Investment in Alternative Investment Funds or financial assets of Cypriot companies / organizations that are licensed by CySec	✓	✓	<b>€2.5M</b>
A.4 Combination of the aforementioned investments - including investments in special Government Bonds of the Republic of Cyprus up to €500.000	✓	✓	<b>€2.5M</b>

\*At least one residential property must be, of at least €500.000 (excl. VAT); the said property must be kept for life.

\*\* The company/ies must have a physical presence in Cyprus, with significant activity and turnover and employ at least 5 Cypriots or EU nationals.

# *Terms and conditions*

Clean Criminal Record

Residential property in Cyprus of minimum €500.000 excl. VAT. The residence must be kept for life

All adult applicants, must hold a Permanent Resident Permit prior to Naturalisation



# Process for the Main Applicant, Spouse, Adult/Underage Children and Main Applicant's Parents (as applicable)



- Physical presence of the applicant and spouse is required for the Permit application

- Parallel preparation of the applications for underage, adult children, parents of investor

### Notes:

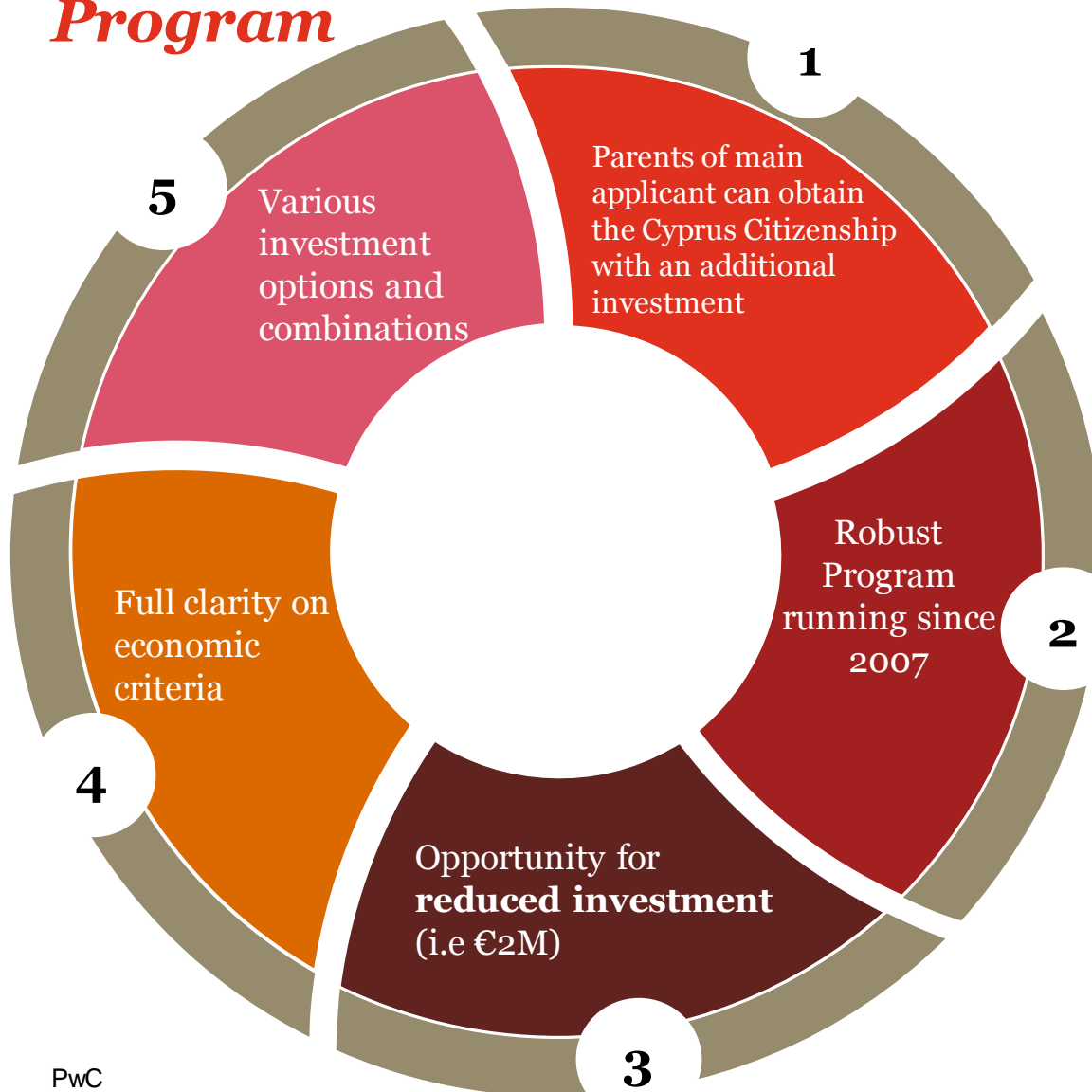
- \*To obtain the passport, adult applicants must hold a PRP for a period of 6 months. The period starts to count from the date of obtaining the PRP.

**Approx. 3 months**

**6 months**



# Competitive Advantages of the *Cyprus Citizenship Program*



## *Indicative sample of Israeli clients*

<b>Family A</b>	<ul style="list-style-type: none"><li>• Three separate applications (two siblings and one adult child)</li><li>• High profile family with international business activities and assets</li><li>• 10 plus number of individuals obtained the Cypriot Citizenship</li><li>• Investment in residential real estate</li></ul>
<b>Family B</b>	<ul style="list-style-type: none"><li>• Three separate applications (two siblings and parent)</li><li>• High profile family with international business activities and assets</li><li>• 10 plus number of individuals obtained the Cypriot Citizenship</li><li>• Investment in commercial and residential real estate</li></ul>
<b>Family C</b>	<ul style="list-style-type: none"><li>• One investor with business activities in Cyprus and abroad</li><li>• Total 4 individuals obtained the Cypriot Citizenship</li><li>• Investment in a Cyprus company</li></ul>
<b>Individual D</b>	<ul style="list-style-type: none"><li>• Individual with business activities in Cyprus and abroad</li><li>• Investment in a Cyprus company</li></ul>

# *The PwC Citizenship Offering*

**Largest Big 4 Firm in Cyprus**



# *The PwC differentiators*

**01**

*Offering clients access to Israeli and Cyprus experts, running projects jointly*

**02**

*Largest dedicated team on the island that includes Lawyers, Real Estate Specialists, Immigration Consultants, Tax Specialists and International Compliance Experts*

**03**

*Extensive experience with HNWIs from across the world*

**04**

*Personalised support to the Investor and to his/her family*

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# *Using Cyprus on Corporate Structures and tax incentives*

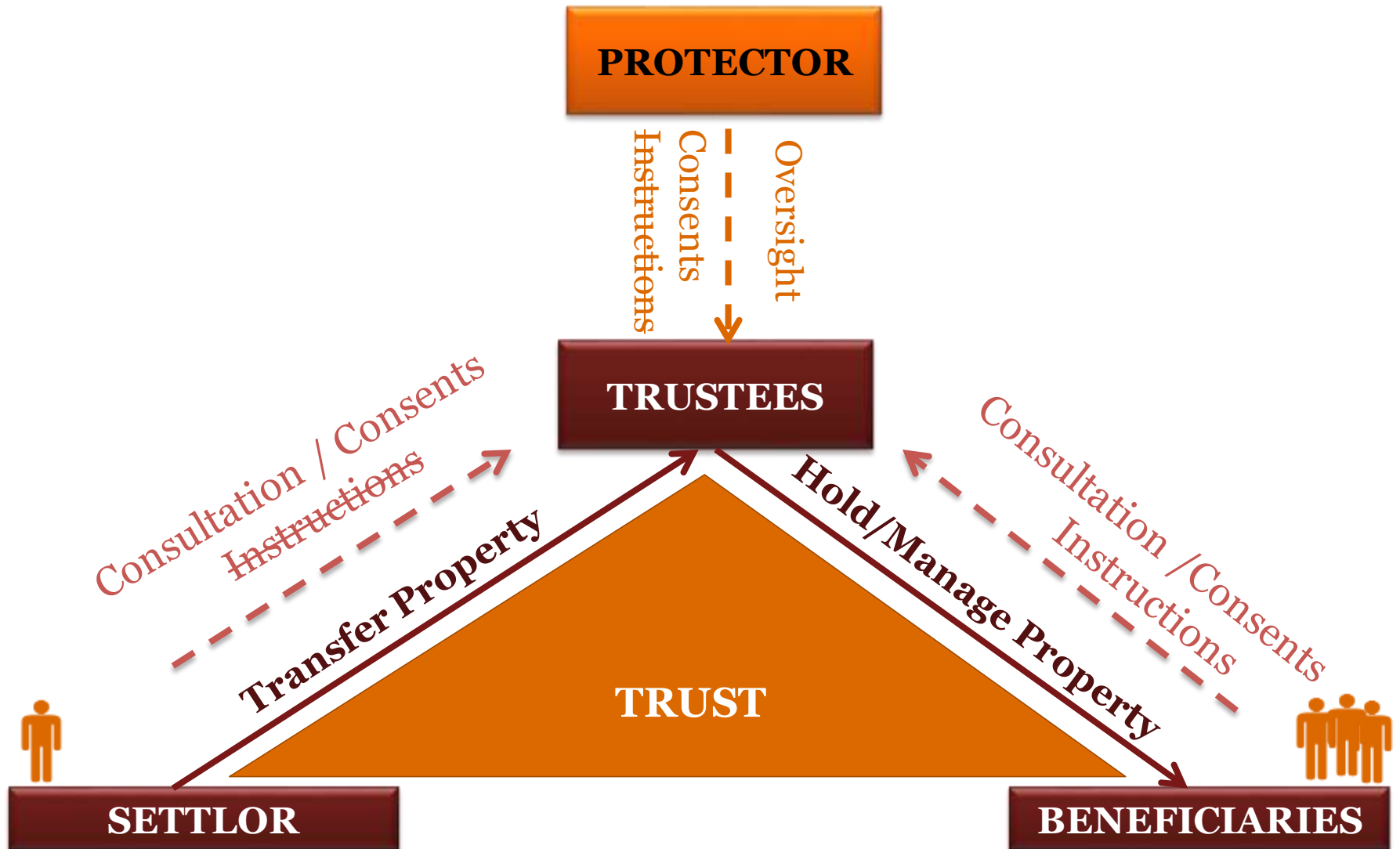
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# ***Characteristics of Cyprus Company***

The most popular vehicle for carrying out business in and from Cyprus is a Private Company with limited liability by shares. The main characteristics of limited liability company are:

- The liability of its members is limited to their share participation. The Company has its own legal personality and this personality is distinct from its shareholders.
- The minimum number of shareholders is one and the maximum number is fifty.
- The Company must appoint one Secretary, who may be local or foreign, physical or legal person.
- The minimum number of directors is one and there is no maximum number.
- There is a requirement for a Cyprus company to prepare annual audited financial statements and submit an annual return to Registrar of Companies and tax return to the Income Tax Return.

# Trusts - Brief Description



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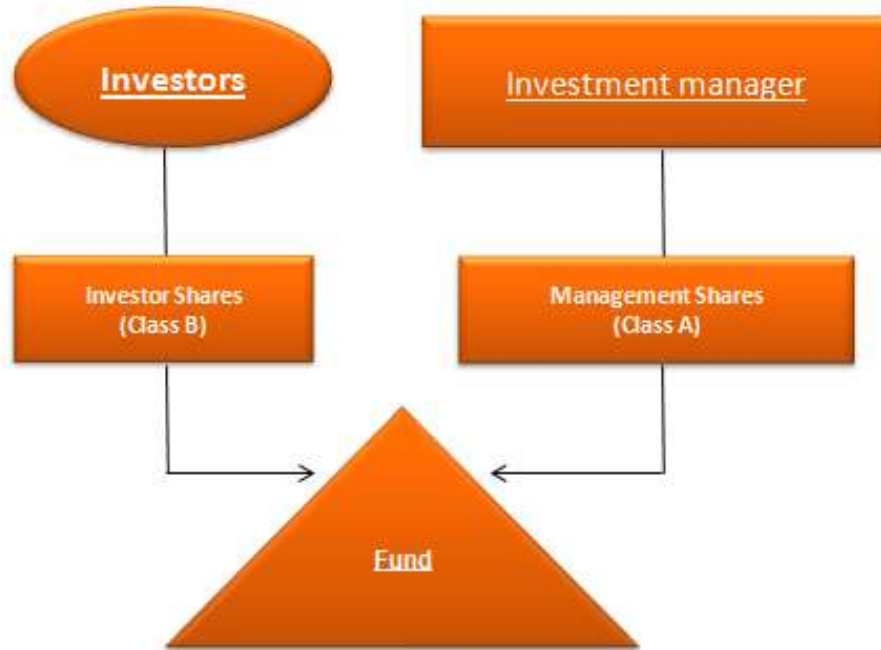
## ***Advantages of a Cyprus International Trust (CIT)***

- **Asset Protection:** A creditor may challenge the transfer of property to a trust only on a defraud of creditor ground within a period of 2 years from the date of transfer.
- **Perpetuity:** A CIT may last for an indefinite period.
- **Reservation of Powers:** Settlor's and Protector's right to reserve powers e.g. powers to revoke or amend the trust or to appoint and remove Trustees.
- **Confidentiality:** The Trustees of a CIT are bound by confidentiality and cannot disclose information unless they are ordered by a Cyprus Court or are required by law in certain defined circumstances.
- **Tax advantages:** Cyprus tax authorities will look to the tax residency of the Beneficiaries, whilst it is the Trustee who will make all necessary payments and arrangements on their behalf.
- **Others:**
  - The income of a CIT may be accumulated without limitations.
  - Foreign forced heirship rules or other laws relating to inheritance or succession, common or matrimonial property do not affect CITs.
  - It is possible to appoint a private trustee company as the Trustee of a CIT.



# Funds in a nutshell

## Main Features



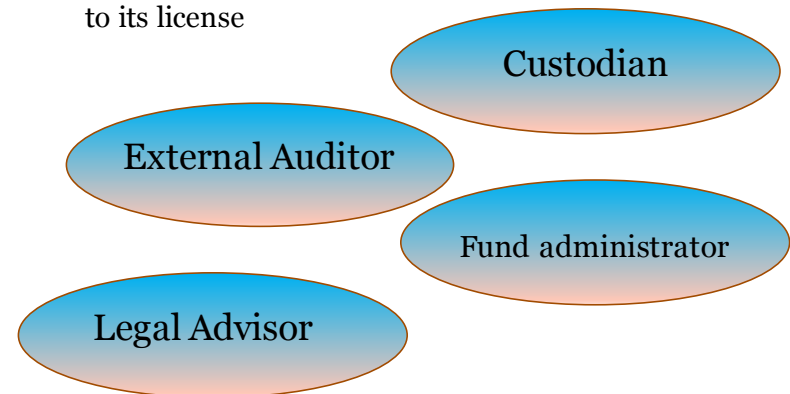
### Type of Funds?

- Alternative Investment Fund (AIF);
- AIF but with limited number of investors (professional/well-informed investors);
- Undertakings for the Collective Investment of Transferable Securities (UCITS);

### When an AIFM is needed?

When the fund manager manages portfolios of AIFs whose assets under management (AMU):

- including leverage, exceed €100 million, or
- exceed €500 million, without leverage but there are no redemption rights exercisable during a period of 5 years
- European passport for distribution of funds is attached to its license



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# *Key Benefits of a Cypriot Alternative Investment Fund*

## Flexibility

- Any asset can be included in the investment strategy of the AIF

## Transparency

- Annual audited and half yearly reports to be sent to the CySEC and the Investors

## Tax incentives

- Cyprus AIF benefit from significant tax incentives / Establishment for taxation purposes can very difficultly be challenged

## Regulations

- EU directives / business friendly jurisdiction (no onerous reporting requirements)

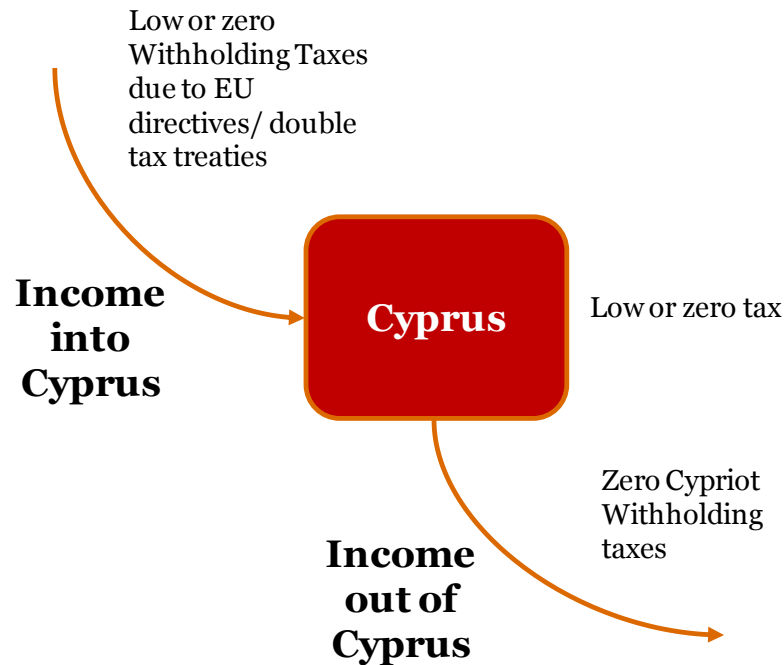
## Low set-up and operational costs

- Easy and cost efficient to set up and maintain Cyprus funds

## Modern Legislation

- Designed legislation to take into consideration new market realities and conditions

# Cyprus Tax System – The General Idea



## Types of Business Entities

- Holding
- Financing
- Royalty (IP)
- Real Estate
- Trusts
- Shipping
- Trading & dealing structures
- Collective Investment Schemes (Funds)
- Private assets (aircraft, yachts)

# Cyprus Tax System - Overview

Cyprus has a very competitive tax system that is fully aligned with EU and international regulations.

Cyprus tax resident companies benefit from Cyprus' extensive double taxation treaty network with over 50 countries worldwide as well as access to EU directives.

## The main characteristics of the Cyprus tax system, that established Cyprus as an attractive holding/listing jurisdiction, are:

- Cyprus Corporate income tax, at the competitive flat rate of 12,5%, is the main tax applicable on the income of a Cyprus tax resident company.
- Foreign sourced dividends are exempt from tax under easily met conditions.
- Disposals of shares and other qualifying titles (such as corporate bonds, futures/ forwards/swaps on titles, depositary receipts, Repos, units in Collective Investment Schemes, Investment Trusts & Funds, Mutual Funds, REITS and units in Stock Exchange Indices) are exempt from tax provided the disposed company does not hold any immovable property in Cyprus.
- Income from financing activities is taxed at an effective rate of 2,5% or even lower.
- Profits of a foreign Permanent Establishments (PE) are exempt from taxation in Cyprus, under easily met conditions.
- The Cyprus IP tax regime can be utilized to achieve an effective tax rate of low 2,5% or even lower.
- Generally no withholding taxes on payments out of Cyprus.

**12,5%**

Cyprus maintains a competitive corporate tax rate of 12,5% which is one of the lowest among the EU countries

### Dividends

Foreign sourced dividends are generally exempt for Tax in Cyprus

### Securities trading - exempt

Cyprus maintains a competitive corporate tax rate of 12,5% which is one of the lowest among the EU countries

# Cyprus Tax System - Overview

**The main characteristics of the Cyprus tax system, that established Cyprus as an attractive holding/listing jurisdiction, are:**

- No CFC rules.
- No thin-capitalization rules.
- Very thin spread of interest margin possible, subject to TP.
- Tax-free reorganisation provisions involving non-Cyprus companies, as well.
- Tax losses may be carried forward for five years or utilized under same year group relief provisions.
- Arm's length principle.
- Efficient advance ruling practice through designated Tax Authority team.
- Full access and adoption of all EU directives.

**2,5%**

Effective tax rate on IP and Financing activities

**WHT**

No withholding taxes on payments out of Cyprus

**Treaties**

Cyprus has an extensive network of double taxation agreements with more than 50 countries.

# *Cyprus Tax Treaty Network*

- Armenia
- Austria
- Bahrain (January 1<sup>st</sup>, 2017)
- Belarus
- Belgium
- Bosnia
- Bulgaria
- Canada
- China
- Czech Republic
- Denmark
- Egypt
- Estonia
- Ethiopia (signed; not yet in force)
- Finland
- France
- Georgia (January 1<sup>st</sup>, 2017)
- Germany
- Greece
- Guernsey
- Hungary
- Iceland
- India
- Iran (signed; not yet in force)
- Ireland
- Italy
- Jersey (signed; not yet in force)
- Kuwait
- Latvia (January 1<sup>st</sup>, 2017)
- Lebanon
- Lithuania
- Malta
- Mauritius
- Moldova
- Montenegro
- Norway
- Poland
- Portugal
- Qatar
- Romania
- Russia
- San Marino
- Serbia
- Seychelles
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Syria
- Thailand
- Ukraine
- United Arab Emirates
- United Kingdom
- United States

# Tax Benefits for Non-Domiciled Cyprus Tax Residents

According to the Cyprus tax legislation, an individual is considered as being a Cyprus tax resident if he stays in Cyprus for a period or periods exceeding in aggregate 183 days in the tax year (calendar year - January to December).

- The day of departure from Cyprus counts as a day outside Cyprus.
- The day of arrival counts as a day in Cyprus
- Same-day arrival and departure counts as a day in Cyprus
- Same day departure and arrival counts as a day outside Cyprus

Non-domiciled persons for Cyprus tax purposes are the Cyprus resident individuals whose domicile of origin is not in Cyprus.

**Non-domiciled persons are exempt from SDC.**

## Income tax (“IT”)

Source of Income	Tax Treatment
Dividend income	Exempt
Interest Income (passive)	Exempt
Rental income (Cyprus and foreign sourced)	Taxable at normal rate with relief from foreign tax
Salary Income	50% exemption from Cyprus personal tax for 10 years if: (i) individual non-Cyprus tax resident before employment and (ii) remuneration above €100k
Pension Salary	5% flat rate (first €3420 tax free)
Inheritance Tax	Nil

## Special Defence Contribution (“SDC”)

Source of Income	Tax Treatment
Dividend income	Exempt for 17 years
Interest Income (passive)	Exempt for 17 years
Rental Income (Cyprus & foreign sourced)	Exempt for 17 years

# ***Cyprus IP Box – Cypriot IP companies can achieve an effective tax rate of up to 2,5%***

New Cyprus IP Box is applicable on legally and/or economically owned qualifying IP:

- Developed by the Cyprus company in Cyprus
- Whose development was outsource to a third party
- Developed by the Cyprus Company via a foreign branch
- Acquired but which are further developed by the Cyprus company

<b>Qualifying IPs</b>	<b>Qualifying Incomes</b>	<b>Non-Qualifying IPs</b>
<ul style="list-style-type: none"><li>• Patents</li><li>• Copyrighted software</li><li>• Other legally protected patent-like IP (subject to conditions)</li></ul>	<ul style="list-style-type: none"><li>• Royalty income emanating from IP</li><li>• Embedded income</li><li>• Gains on disposal of IP (if not capital in nature which are not taxable)</li><li>• Other qualifying incomes</li></ul>	<ul style="list-style-type: none"><li>• Marketing related IPs, such as trademarks</li><li>• Other IP not falling into the adjacent categories</li></ul>



# ***Cypriot companies can achieve through the Notional Interest Deduction an effective tax rates of up to 2,5%.***

- Cyprus has introduced new legislation that provides for Notional Interest Deduction (NID) on New Equity.
- The NID is deductible in a similar manner as for actual interest expense.
- NID is deducted following the determination of a company's taxable profit. The deduction cannot exceed 80% of the taxable profit (as calculated prior to NID) of the Company/permanent establishment.
- The NID rate is the yield on the 10 year government bonds (as at 31 December the year preceding the tax year the NID is claimed) of the country where the funds are employed in the business of the company plus a 3% premium. This is subject to a minimum amount which is the yield of the 10 year Cyprus Government bond (defined similarly as above) plus a 3% premium.



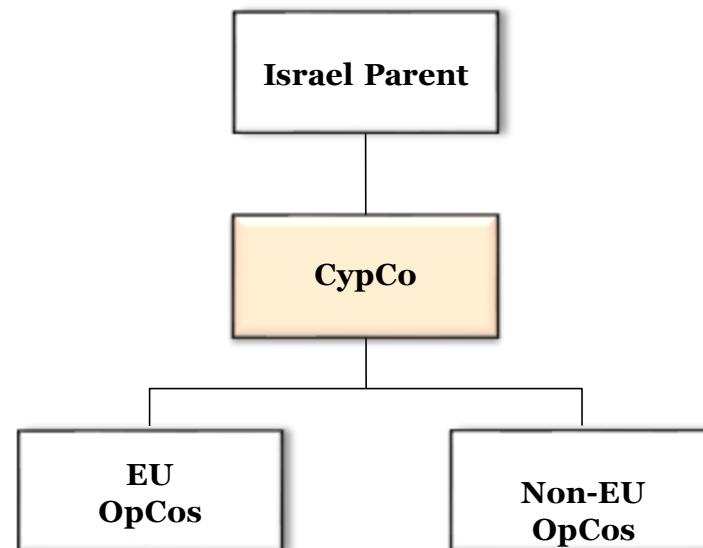
$$NID = \text{New Equity} * NID \text{ interest Rate}$$

	Not taking into consideration the NID	After taking into consideration the NID
Taxable Profit	100.000	100.000
NID		80.000
Taxable Profit	100.000	20.000
Tax	12.500	2.500
ETR	12,5%	2,5%

# The Cyprus Sub-holding Company

## Benefits

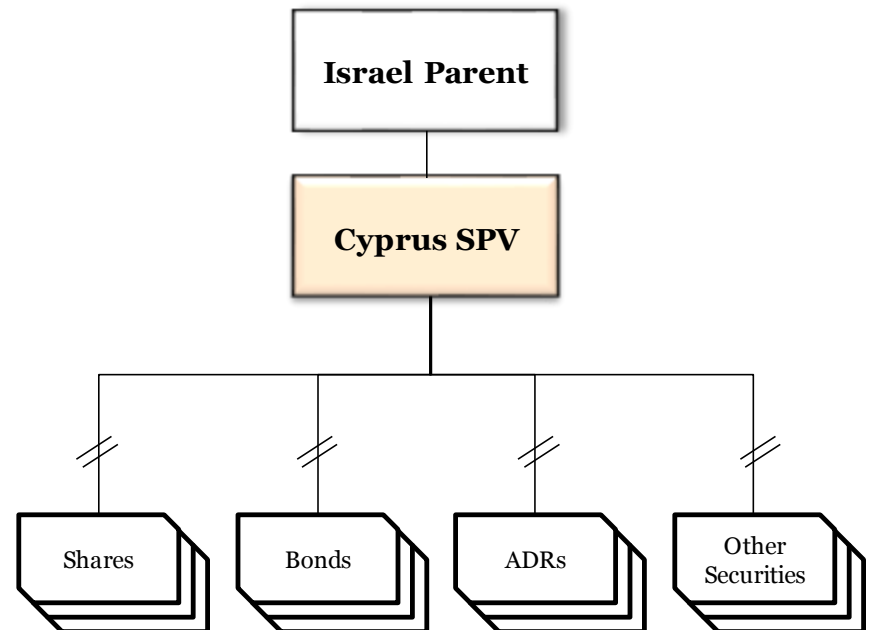
- Nil or low WHT in Foreign OpCo jurisdictions under either DTTs with Cyprus or EU Directives.
- Dividend fully exempt in Cyprus subject to very easily met participation exemption rules.
- No WHT on dividends, interests and royalties paid out of Cyprus as per domestic legislation.
- Unconditional Cyprus tax exemption of capital gains on potential disposals of OpCos unless they hold Cyprus real estate.
- Protection from source country Capital Gains tax on real property companies in certain OpCo jurisdictions.



# The Cyprus Trader in Securities

## Benefits

- No/low WHT in source country due to access to EU Directives and/or treaty protection.
- Dividend income is exempt from taxation in Cyprus (subject to easily met conditions).
- Gains from trading in listed shares and other corporate “titles” unconditionally exempt from taxation in Cyprus.
- Interest income taxable, after allowable expenses, at corporate tax rate of 12.5% (foreign tax credits available) – Notional Interest Deduction regime available to reduce effective tax rate.
- No WHT on dividends or interest payments to ISP.
- No exit costs upon disposal/liquidation of Cyprus company.



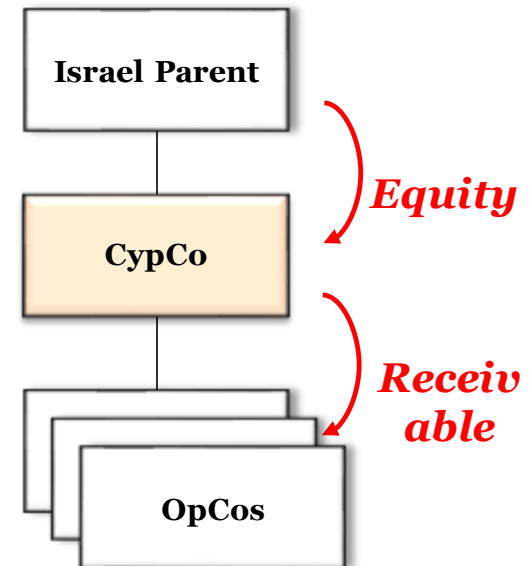
# Cyprus FinanceCo (utilizing NID)

## Plan

Contribute foreign receivable against equal value new equity.

## Benefits

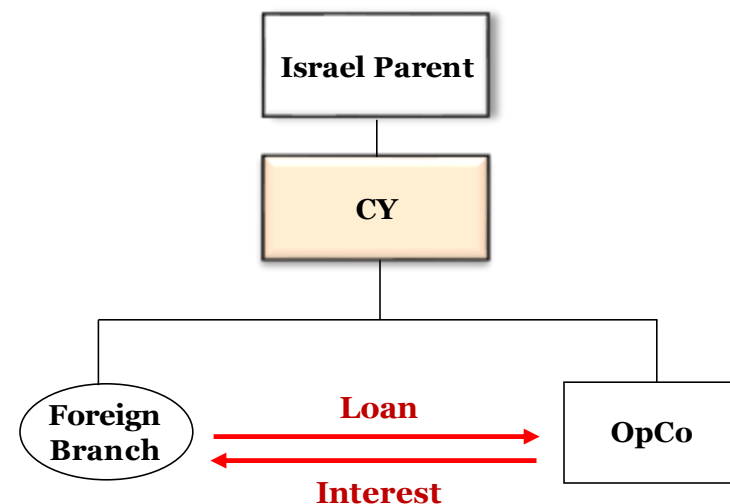
- Managing financing set-ups with hybrid instruments/entities.
- Strong case that CypCo is the 'beneficial owner' of loan interest income from OpCo.
- Effective tax rate for CypCo is as low as 2,5%.
- Forex is Cyprus tax exempt thus ETR remains stable.



# The Cyprus Head Office/Foreign Branch Financing Structure

## Plan

- Cyprus can be setup with a foreign financing branch (e.g. Hong Kong, Switzerland) to maintain a no tax/low effective tax rate through its foreign PE exemption.
- No/low WHT tax on dividend payments from OpCo(s) to Cyprus by virtue of the parent subsidiary directive (EU) or tax treaty network (non-EU).
- Dividend income from OpCo(s) fully-exempt in Cyprus (ruling is possible).
- No WHT on dividends paid from Cyprus
- Unconditional Cyprus tax exemption on capital gain from potential disposal of OpCo(s) which do not hold any Cyprus real estate.



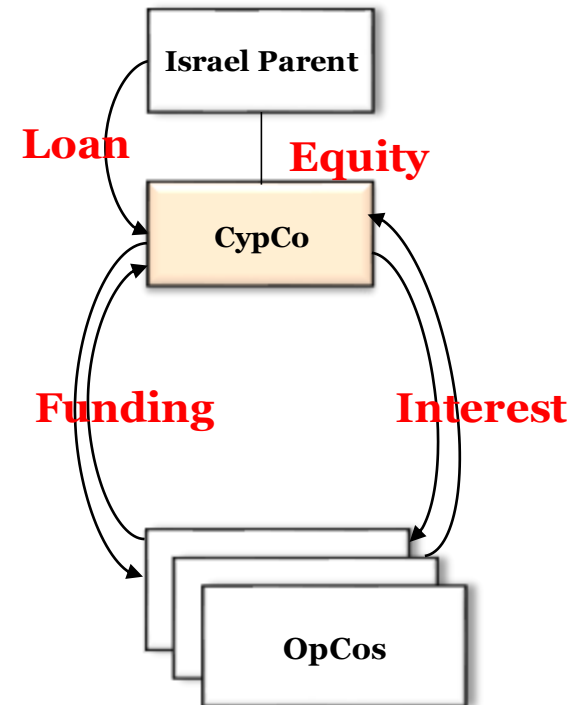
# The Cyprus Treasury/Cash Pooling Company

## Plan

- Set up CypCo to act as the treasury/cash pooling company of the group.
- ForCo contributes group funds to CypCo either in the form of equity or in the form of a loan.
- CypCo uses the funds to lend group OpCos.

## Benefits

- No thin-cap rules so allows for a mixture of debt and equity financing into CypCo and both actual and notional interest expense is deductible.
- CypCo to be taxed on any debt financed b2b loans at 12,5% only on thin spread (subject to TP), hence ETR can be very low.
- Equity financed receivables ETR as low as 2,5%.
- Forex is Cyprus tax exempt thus ETR remains stable.
- Access to EU Interest & Royalties Directive and to DTT network.
- NID does not impact foreign WHT credit utilisation.
- No WHT on dividends/interest from Cyprus to ForCo.
- Bank account does not have to be Cyprus based.
- Ruling on TP possible.



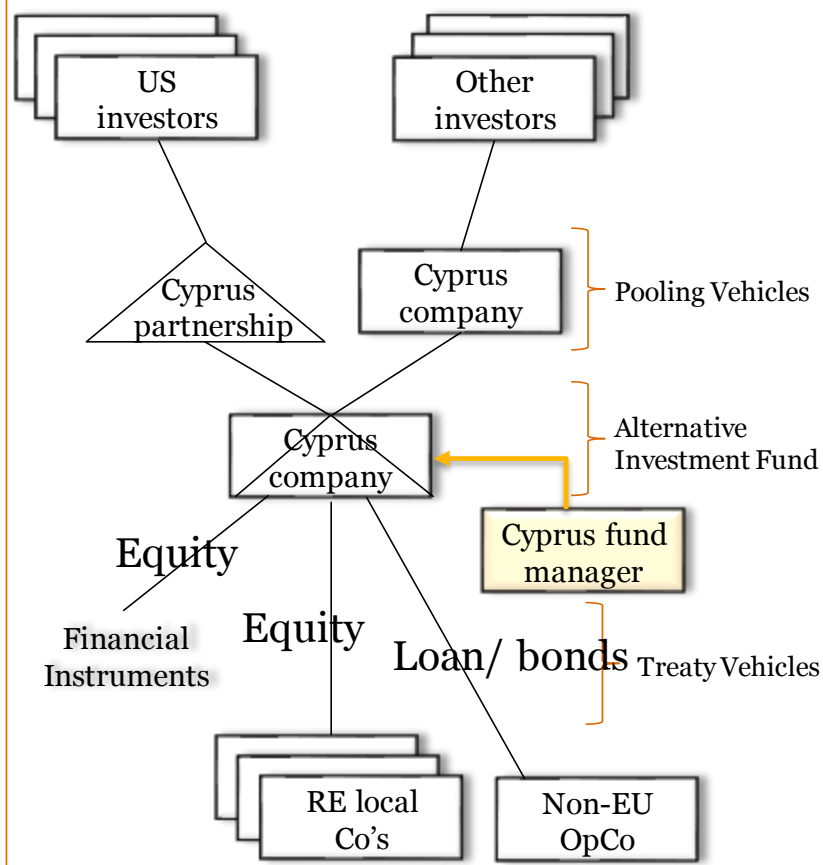
# Fund structuring utilizing Cyprus

## Plan

- Set up Cyprus regulated Fund.
  - Cyprus funds legal framework based on local Alternative Investment Fund (AIF) legislation and Alternative Investment Fund Managers legislation endorsing all relevant EU directives.

## Benefits

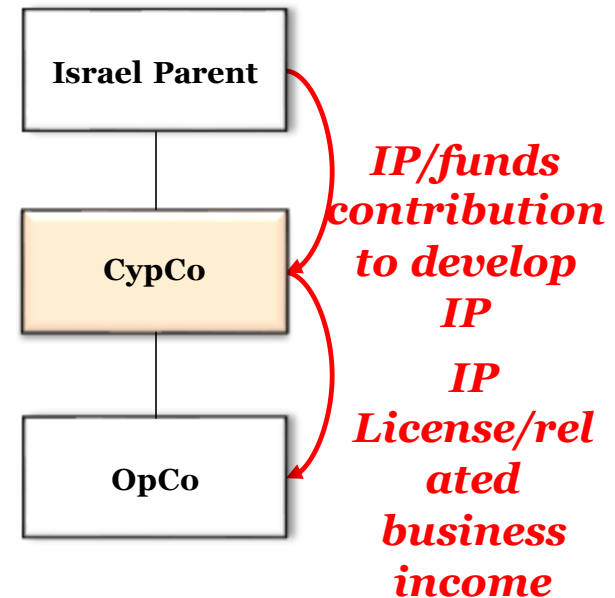
- AIF / Treaty Vehicle:
  - Any assets can be included in the investment strategy.
  - Double tax treaty network and EU Directives protection for source incomes.
  - Foreign dividends fully exempt with easily met conditions.
  - No minimum holding period/percentage requirements.
  - Interest income received (if any) at the Treaty vehicle level could be subject to an effective tax rate of as low as 2,5% through proper structuring utilising NID.
  - Capital gains on disposals of a wide range of securities exempt from taxation.
  - No thin capitalisation rules – any interest income received at the Treaty vehicle level could be subject to an effective tax rate of as low as 2,5% through proper structuring utilising NID.
  - No WHT on payments of dividends, interest and any other form of distribution to non-Cyprus tax residents.
  - No exit costs.
- Pooling Vehicle:
  - No withholding tax on dividend & interest payments to non-residents at all times.
- Tax planning for Cyprus tax resident executives of Fund Manager
  - Management fee: Can be structured to be received as a salary to be taxed in the hands of the individual at effective income tax rates of between 8% - 17,5% (subject to 50% employment income exemption).
  - Performance fee / carried interest: Can be structured to be exempt income at the level of the Cyprus fund manager company which can be received by the individual as a tax-free dividend (subject to non-dom provisions).



# Cyprus IPCo

## Benefits

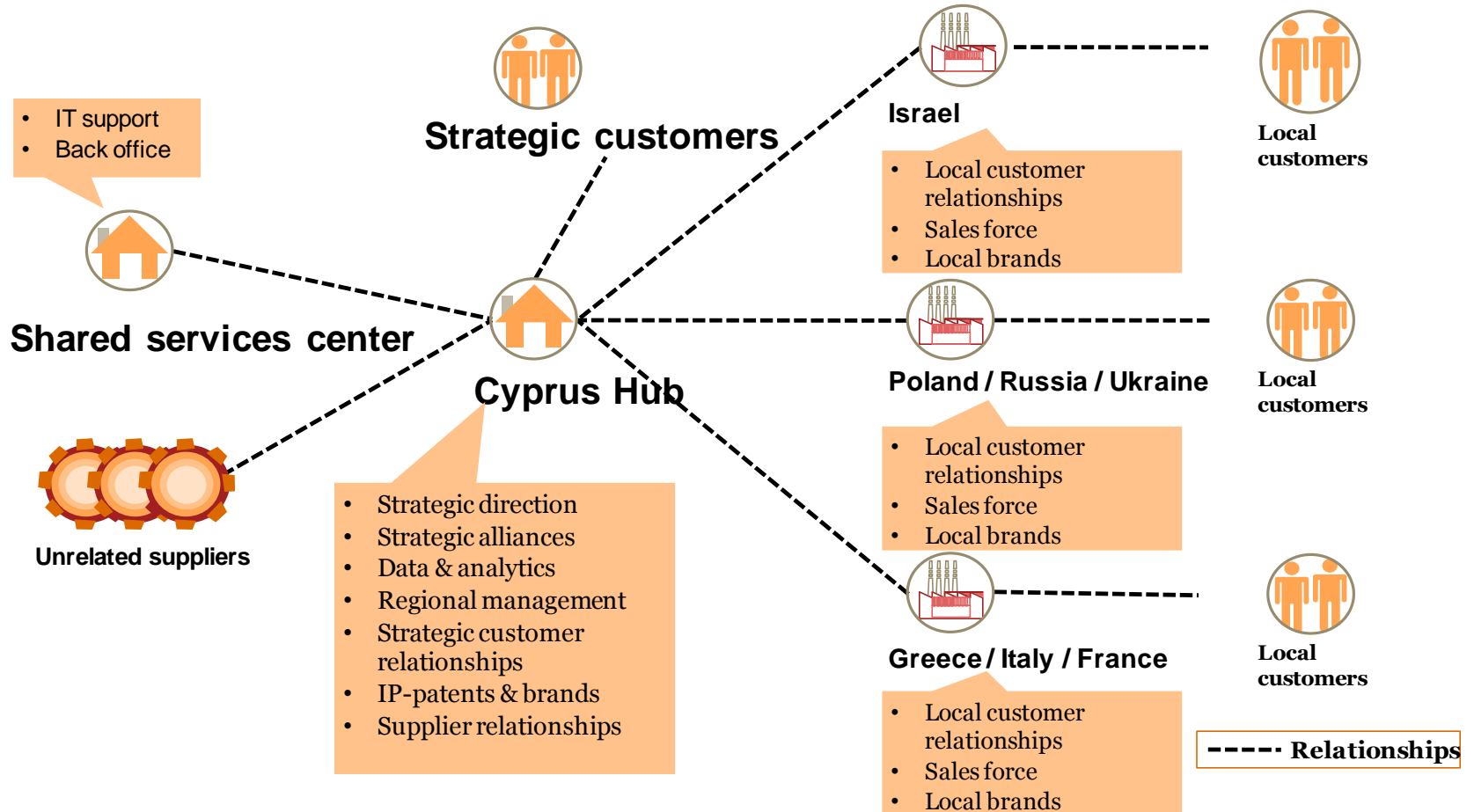
- Nexus IP for which R&D expenditure incurred by CypCo itself (whether within Cyprus or not) or outsourced to unrelated party -> Net royalty and embedded qualifying profits will be entitled to an 80% deemed deduction. Annual tax amortization also available.
- Acquired & non-nexus IP also entitled to an annual tax amortization whether IP legally or economically owned.
- Depending on fact pattern, ETR could be as low as 0%.
- NID regime available for both nexus and non-nexus IP.





# Cyprus as a Hub

*The progressive business environment, the strategic geographic location, the high quality workforce, the low operating costs and the high standard of living combined with the low level of taxation have established Cyprus as a home for many private and public groups*

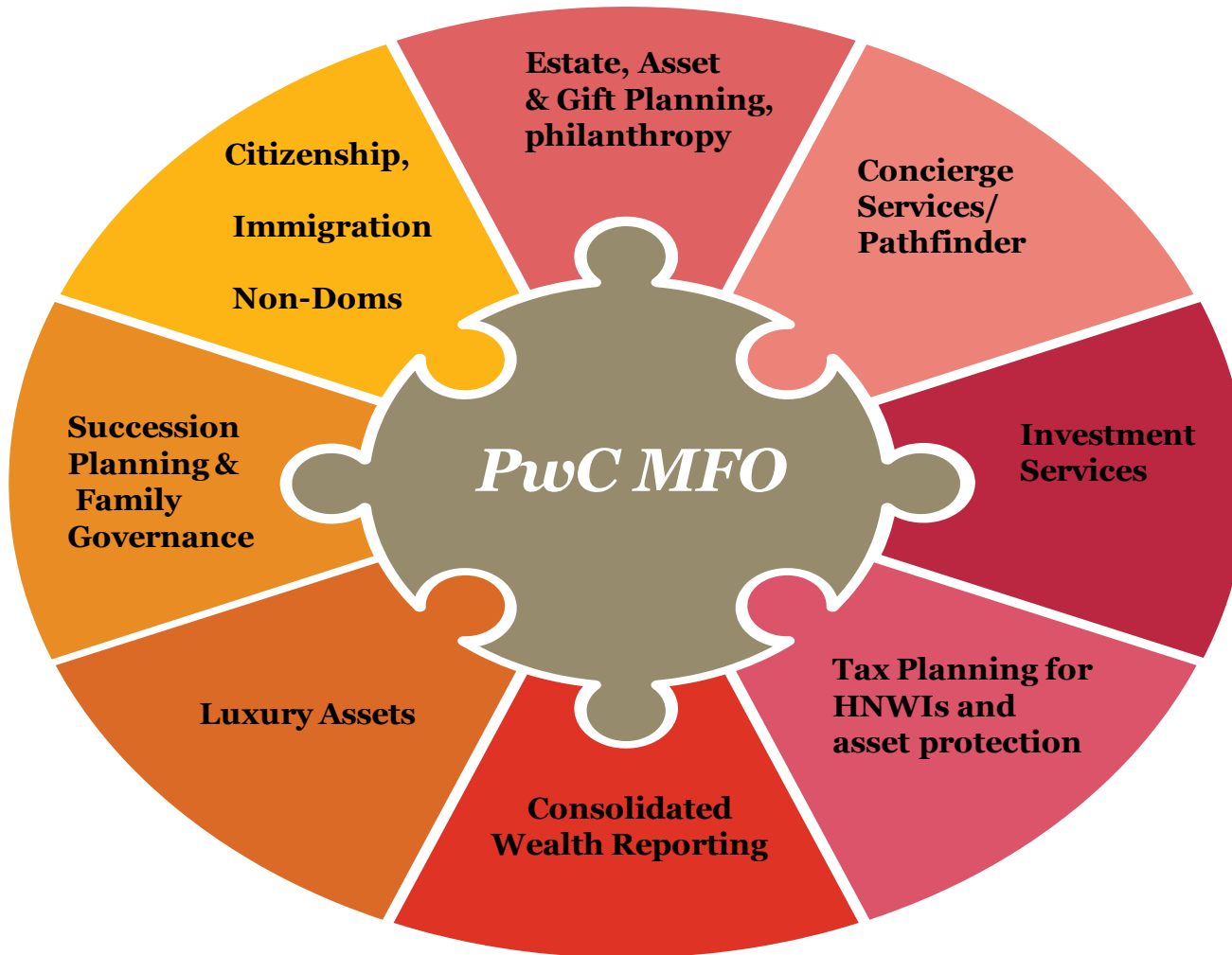


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# *Cyprus as a base for your Family Office*

# Wealth Management Services

## *The PwC MFO*



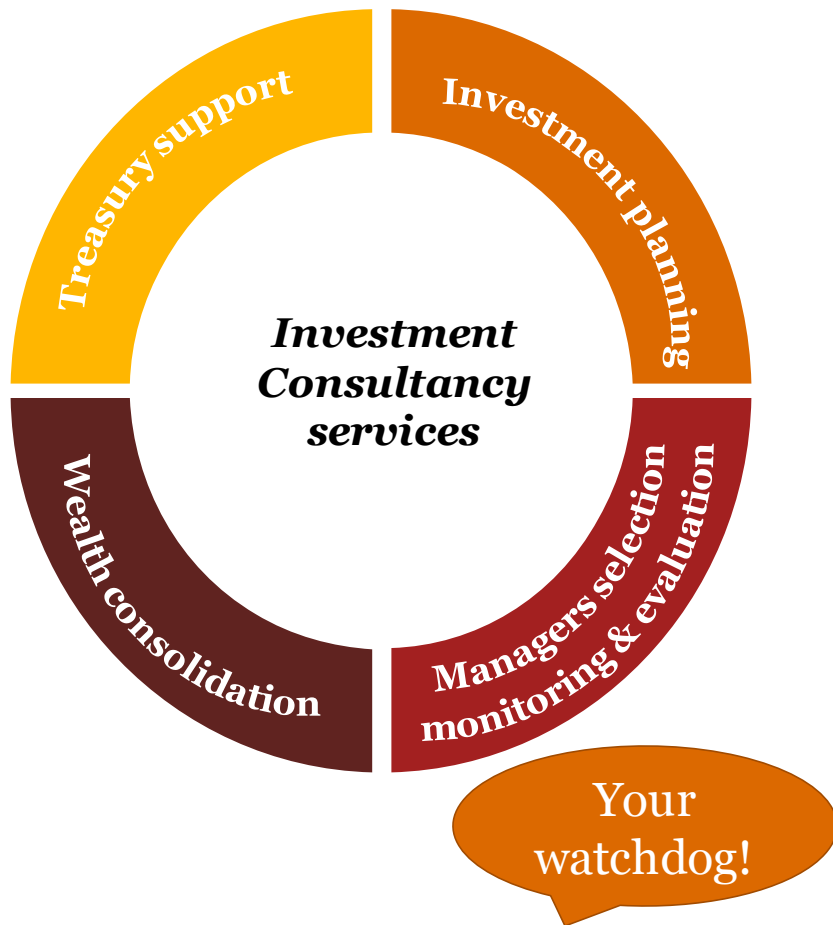
### **Key benefits of the offering:**

- ✓ Cross border
- ✓ Complete
- ✓ Cost efficient
- ✓ Proactive
- ✓ Customised

Let us worry about it!

# *PwC Investment Consultancy Services*

***Independent Investment Consultant – We manage your managers***



## **We offer**

- ✓ **bespoke investment planning**
- ✓ **portfolio tax optimization**
- ✓ **evaluation of managers via independent benchmarking**
- ✓ **customised consolidated wealth reporting with risk analysis**
- ✓ **monitoring the credit risk of your banks**

# Key PwC MFO Offerings

## Specific real cases



Non-doms  
Second base

### I. Full FO Offering

€5mln +  
liquid assets

### II. Investment Portfolio Offering

Family office or MFO in place

Full range support when needed

### III. Supporting SFO/MFO

Enhancing substance  
Assisting directors

IV. Investment monitoring reports

# ***I. Full Family Office offering***

## ***Non-Doms clients/2nd Base***

Your very own Family Office

### **Main characteristics :**

- ✓ **Complete MFO support for implementing ‘Non-Dom’ in practice**
  - **shows real substance e.g. decisions and investment management from Cyprus**
- ✓ **Independent investment consulting**
- ✓ **It covers all angles e.g. Personal to business and family wealth/tax /investment planning**



# Family Office and Trust administration

**Your dedicated Family Officer team will be your single point of contact**



- ✓ High calibre professionals, including native Russian and English speakers
- ✓ Proactive
- ✓ On your side – no commission or fees accepted
- ✓ Expertise and knowledge
- ✓ Understanding your needs
- ✓ Covering all angles
- ✓ Cross border and 'tailor-made' solutions

# Consolidated Wealth Statement

*Providing a customised snapshot of a family's financial wealth at a particular point in time together with a compliance status report of the operations and any additional information useful or pertinent (using a range of PwC tools).*

Complete picture of  
your assets in one  
go

We coordinate all  
territories for your  
peace of mind

Covers both financial  
and compliance  
matters


With a complete picture you can  
then decide on your investment  
based on your objectives

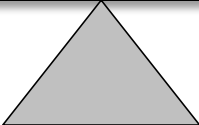




# Investment and Treasury support services

## Your independent wealth advisors

1. Drafting of an Investment Policy Statement	2. Assistance in the identification and selection of investment managers.	3. Investment managers monitoring & evaluation	 <b>% step up annual fees depending on the agreed mandate and size of assets</b>	
<b>We offer assistance in the drafting of a tailored made IPS</b>	<b>Assistance in the identification and selection of investment managers</b>	<b>We offer a thorough and independent due diligence quarterly reporting</b>		
<b>Why is it important?</b>  The IPS will be used as the disciplined framework for future investments.	<b>Why is it important?</b>  The selection of the money managers is deemed important in reaching the long term risk adjusted/ return objectives.	<b>Why is it important?</b>  Replacing an underperforming manager with an outperforming one could enhance risk adjusted returns.		



April 2017

# Concierge services

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## *Complimentary concierge services for Cyprus*

**Complimentary** concierge for Cyprus including:

- Booking of flights to/from Cyprus airports
- Taxi driver for pick up from Cyprus airport
- Hotel booking
- Luxury car rental
- Yacht rental
- Restaurant booking
- Excursions
- Booking in lounge bars/clubs
- Assistance in getting theatre/cinema tickets

**Overseas** concierge services could be arranged at extra cost in cooperation with a global leader in the field.

## ***II. Investment Portfolio Solution***

***Clients with liquid assets of more than €5m***

### ***Mandate:***

***Design, set up and run a liquid asset holding vehicle:***

- ***Trust (with or without company) owning investment portfolio***
- ***PwC Investment Services can help manage the portfolio***

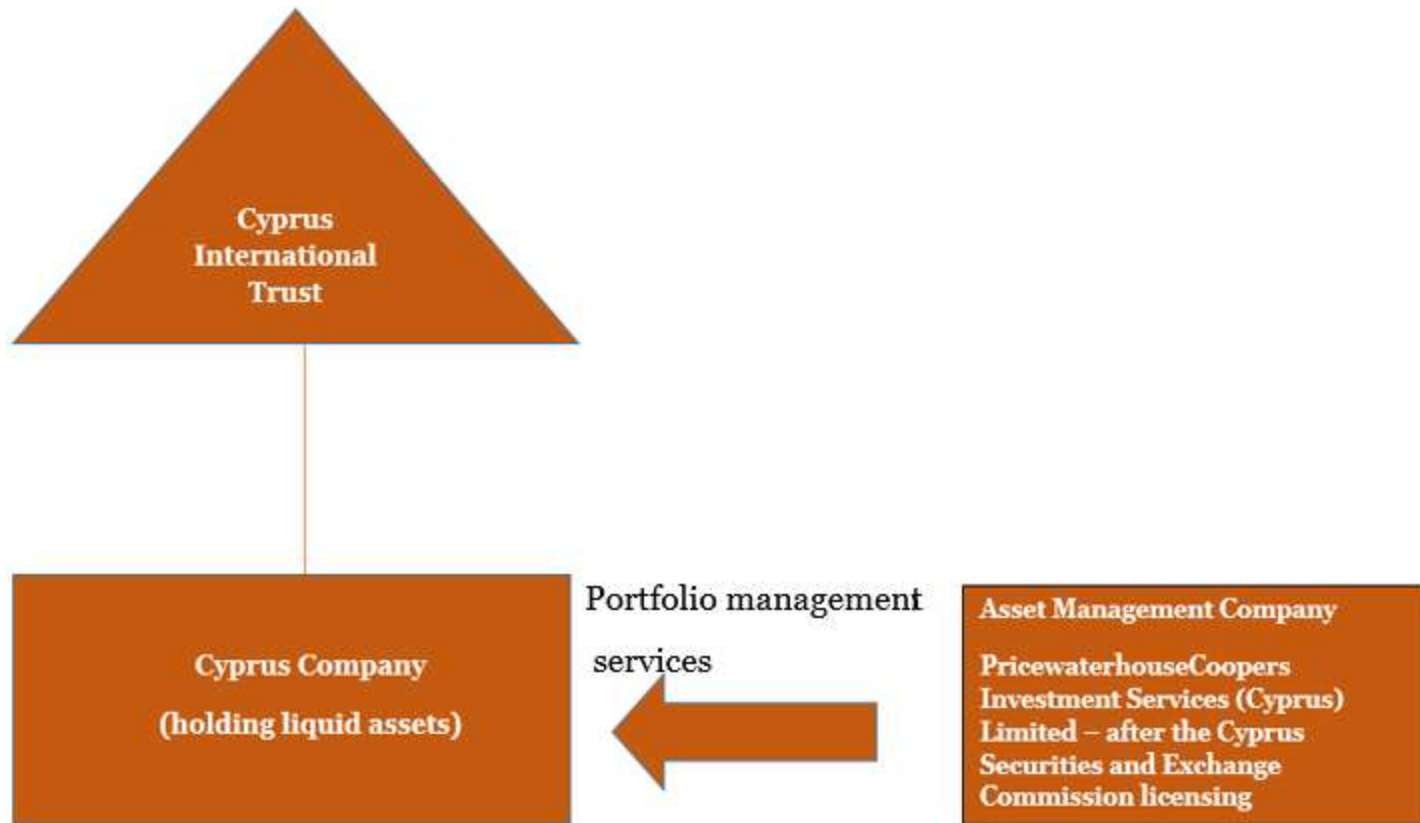
### **Key characteristics:**

- ✓ **Asset protection**
- ✓ **Customisation**
- ✓ **Tax efficient solution**



## II. Investment Portfolio Solution (Cont.)

### Example



### ***III. Supporting client SFO/MFO***

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#### ***Family Office already in place***

***Offering: assistance with setting up MFO in Cyprus.***

***Provide/outsources all MFO services not available in-house***

#### **Key characteristics:**

- ✓ **Small team, limited capabilities**
- ✓ **Specialization of PwC Cyprus**
- ✓ **Credibility of PwC**



## IV. Investment Monitoring reports

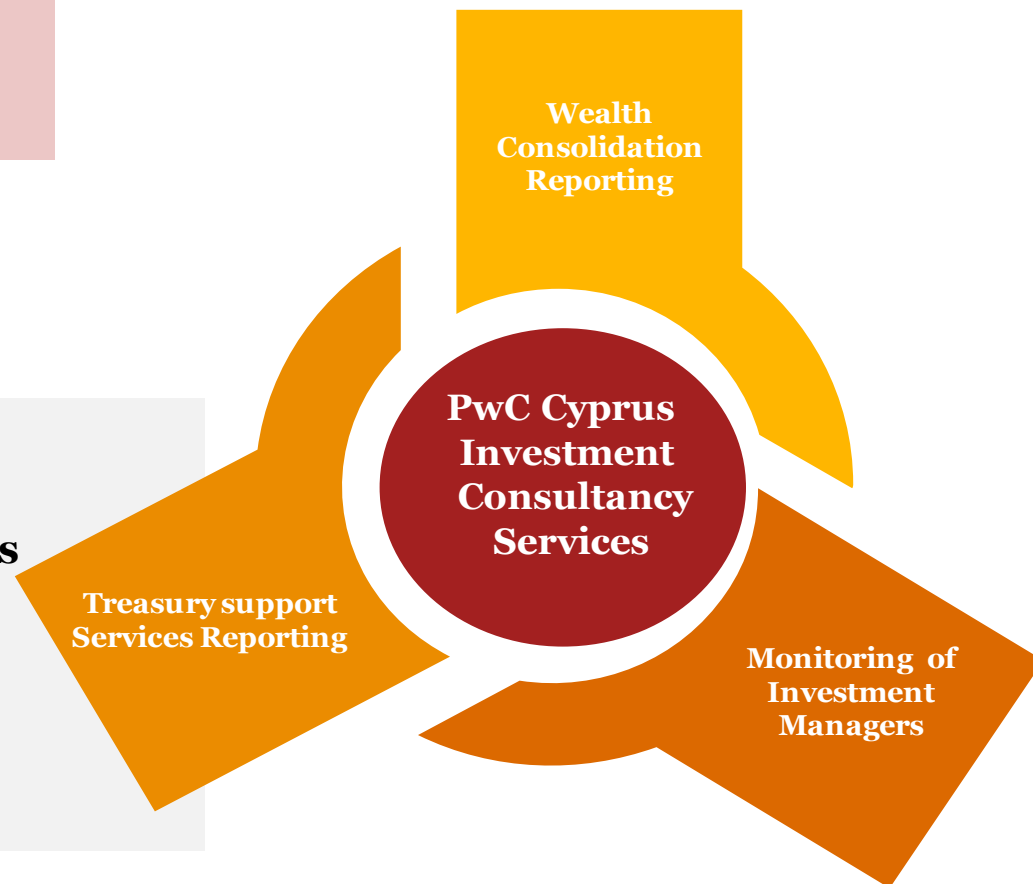
*For HNWI's with Cyprus structures owning liquid assets that wish to enhance substance while ensuring their investments are closely monitored by experts*

***Offering: Assistance to Directors/Trustees in the monitoring and evaluation of investment managers***

### **Key characteristics:**

- ✓ **Enhance substance**
- ✓ **Independent Investment managers monitoring by experts**
- ✓ **Customisation**

### ***Typical Product offering***



## IV. Investment Monitoring reports (Cont.)

*What is the process and how can we help?*

**1**

*Meetings in Cyprus between PwC Cyprus Investment Consultants and Directors/ Trustees*

**2**

*Drafting of periodic reports by the PwC Cyprus Investment Consultancy Services team*

**3**

*Input from Directors/ Trustees in the draft reports of stage 2*

**4**

*Board Meeting presentation of the reports*

**5**

*Signing of the reports by the Directors /Trustees, including relevant reports and decisions in the Board Minutes*

# IV. Investment Monitoring reports (Cont.)

## *PwC Global Economic projections: October 2016*

The PwC forecasts a global market GDP growth of 2.5% in 2016 and 2.9% annual growth from 2018-2022. Between 2018-2022 PwC expects inflation of 2.5% for the global economy, 2% for the US and 1.4% for Eurozone.

Figure 4

	Share of 2015 world GDP		Real GDP growth				Inflation			
	PPP	MER	2015	2016p	2017p	2018-2022p	2015	2016p	2017p	2018-2022p
Global (Market Exchange Rates)		100%	3.0	2.5	2.9	2.9	1.6	2.1	2.4	2.5
Global (PPP rates)	100%		3.4	3.0	3.4	3.4				
G7	31.5%	46.4%	1.9	1.4	1.7	1.9	0.2	0.8	1.9	1.8
E7	36.2%	25.9%	4.8	4.7	5.3	5.0	0.4	1.4	3.3	3.3
United States	15.8%	24.5%	2.6	1.5	2.2	2.3	0.1	1.2	2.2	2.0
China	17.3%	15.2%	7.1	6.5	6.5	5.7	1.5	1.8	1.8	2.8
Japan	4.2%	5.6%	0.6	0.6	0.5	0.8	0.0	0.1	1.3	1.5
United Kingdom	2.4%	3.9%	2.2	1.8	0.9	2.1	0.0	0.6	1.8	2.1
Eurozone	12.0%	15.8%	2.1	1.6	1.5	1.5	0.0	0.2	1.3	1.4
France	2.3%	3.3%	1.2	1.4	1.5	1.6	0.1	0.3	1.2	1.2
Germany	3.4%	4.6%	1.4	1.6	1.4	1.4	0.1	0.3	1.5	1.7
Greece	0.3%	0.3%	-0.3	-1.3	0.3	1.5	-1.1	-0.3	0.5	1.3
Ireland	0.3%	0.4%	26.3	4.2	3.3	2.5	0.0	0.8	1.8	1.7
Italy	1.9%	2.5%	0.6	0.9	1.0	1.2	0.1	0.2	1.1	1.4
Netherlands	0.7%	1.0%	2.0	1.6	1.6	1.8	0.2	0.8	1.5	1.3
Portugal	0.3%	0.3%	1.5	1.3	1.3	1.2	0.5	0.7	0.9	1.5
Spain	1.4%	1.6%	3.2	2.6	2.3	2.0	-0.6	-0.4	1.3	1.2

Sources: PwC analysis, National statistical authorities, Datastream and IMF. All inflation indicators relate to the Consumer Price Index (CPI). Argentina has recently launched a new CPI measure, which only contains data from April 2016. We therefore do not report an inflation measure for 2015, and will provide 2017 and 2018-2022 projections once a longer series is available. Ireland's GDP growth in 2015 was boosted by some very high investment figures by subsidiaries in Ireland. Note that the tables above form our main scenario projections and are therefore subject to considerable uncertainties. We recommend that our clients look at a range of alternative scenarios.



# IV. Investment Monitoring reports (Cont.)

## Performance analysis

As depicted from figure 23 the portfolio return attribution is analysed. The portfolio is under performing its benchmark by c.a. -1.64%. The main negative return contributor is the sector of Financials.

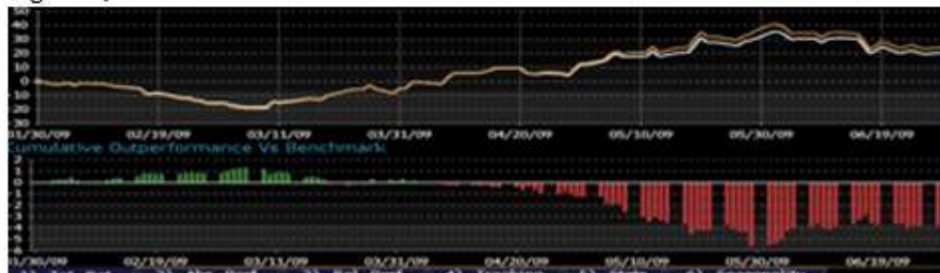
Figure 23



Source: Bloomberg.

Figure 24 shows the portfolio return over the period under consideration. The under performance of the portfolio occurred during the last three months.

Figure 24



Source: Bloomberg.

# IV. Investment Monitoring reports (Cont.)

## Risks

It is noted that the 95% daily VaR is USD 720.204k. This is the worst loss that can happen within one day with a 95% confidence. This is indicative value and is calculated by Bloomberg.

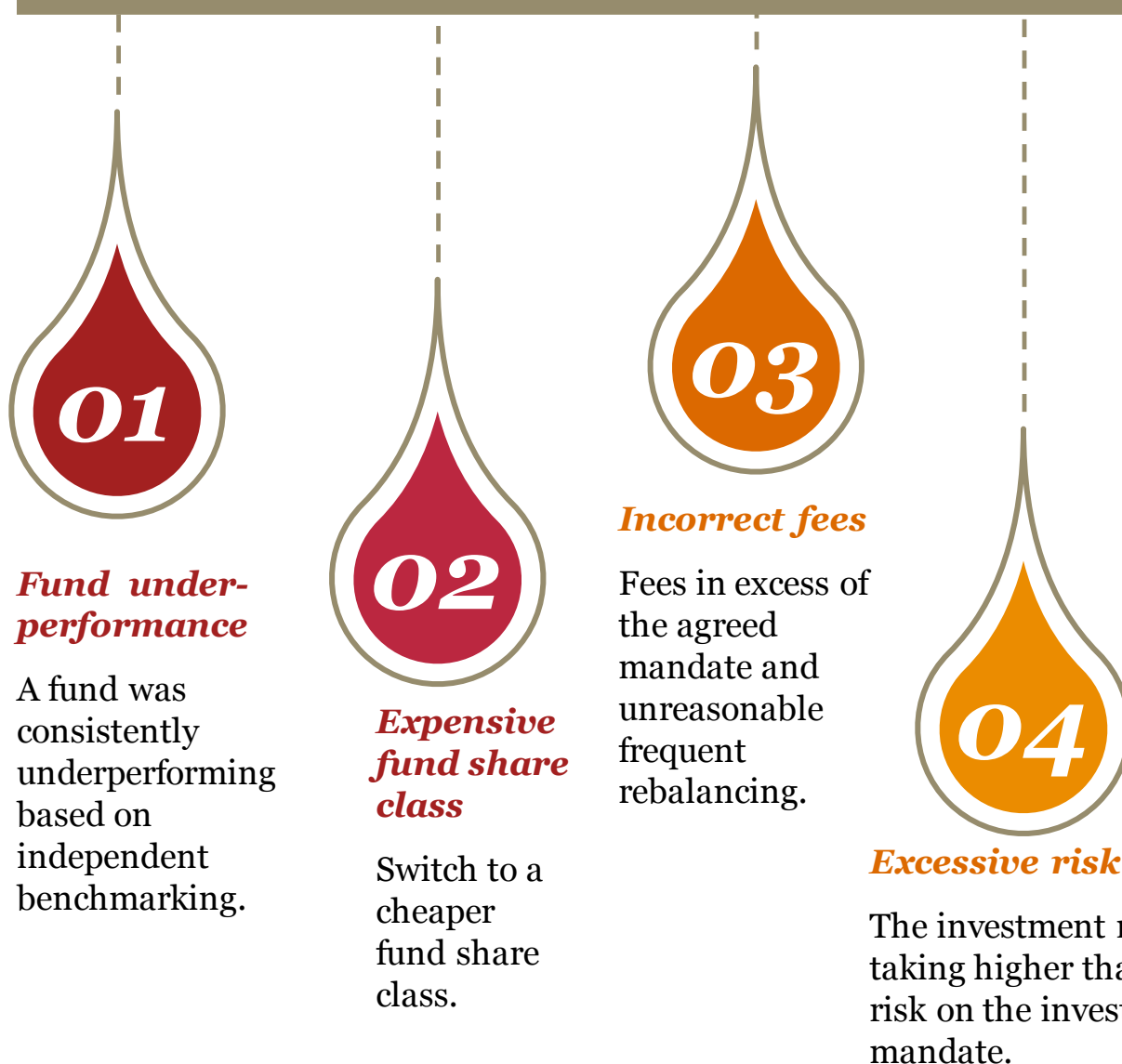
Figure 24



Source: Bloomberg.

# IV. Investment Monitoring reports (Cont.)

## Key Findings -examples



# *Thank you!*

*This communication does not constitute a formal proposal to perform services. Final acceptance of this engagement by PwC is contingent upon successful completion of PwC's acceptance and risk management procedures. In this respect, if you wish us to proceed you will be requested to provide us specific information and documentation. Any engagement arising out of this proposal will be subject to the execution of our formal engagement contract, including our standard terms and conditions and fees and billing rates established therein.*

*The information contained herein on the economic criteria and conditions of the Cyprus Citizenship Program (naturalisation by Exception), are as per the relevant Council of Ministers' Decision and the Frequently Asked Questions issued by the Ministry of Interior. These may be subject to change by the Authorities in the future.*

*This communication presents high level introductory information on the subject matter as per your request. To be able to provide you more specific information and a formal engagement letter, details on the investor/investment will be required by you, as well as consultation and/or approval from the local Competent Authority.*

*We shall be advising on guidance and further updates that will be released on the Program by the competent Authorities.*