



The Mini Manager Legislation

On June 20, 2020¹, the Cyprus Parliament approved a new legislation on smaller Alternative Investment Fund Managers Law 81(I)/2020, also called “Mini Manager”, in line with the Alternative Investment Fund Managers Directive 2011/61/EU (AIFMD).

The introduction of this new legislation is part of the commitment to modernise and further enhance the existing Cyprus legal and regulatory framework, aligning the Cyprus funds industry with recent EU and international developments and trends.

The Mini Managers Law constitutes an evolutionary development for Cyprus and takes advantage of the flexibility provided by the European Directive 2011/61/EU. The Directive allows Member States to apply a lighter regime for smaller managers, where the cumulative Alternative Investment Funds (AIFs) under management fall below the threshold of i) EUR100m or equivalent, including the use of leverage, or ii) EUR500m without leverage and having a minimum 5-year lock-up period.

The Law aims to ensure an appropriate level of organisation and supervision of the Fund Manager, while also providing a high degree of confidence in the AIF market to protect investors' interests.

1. The Law has been published in the Official Gazette of the Republic and came into force on July 3, 2020.

Application of the Mini Manager Law

The Mini Manager Law applies to:

- Mini Manager of the Republic licensed by the Cyprus Securities and Exchange Commission (“CySEC”);
- Mini Manager of Member State licensed by the applicable regulator of that Member State; and
- Cyprus Investment Firms (“CIFs”) that have been granted the relevant authorisation by CySEC, in accordance with Article 5(5)(b) of the Investment Services and Activities and Regulated Markets Law.

CIFs that have been granted authorisation by CySEC in accordance with the Investment Services and Activities and Regulated Markets Law to manage AIFs, shall be deemed to be Mini Managers and may continue to provide such services, provided that within 9 months from the entry into force of the Mini Manager Law, they will comply with the provisions of the Law.

Mini Manager - Key Features



2. The Internal Audit Function may be delegated to a third party, provided that Article 23-25 of the Law apply.

3. The Compliance Function must be carried out internally.

Key Requirements of the Mini Manager

01

Legal Form and Registered Office

The Mini Manager shall take the legal form of a **limited liability company** and should have a **registered office** and **headquarters** based in **Cyprus**.

02

Board of Directors

The Board of Directors should consist of **at least 4 members**, including at least **2 executive directors**.

The **Portfolio Management and Risk Management** functions should be performed by **2 natural persons**, who may also be **executive directors**.

03

Eligible Management Funds

- Cyprus AIFs with *unlimited* number of persons;
- Cyprus AIFs with *limited* number of persons ("AIFLNs");
- Registered AIFs ("RAIFs") taking the form of a Limited Partnership with⁴ or without separate legal personality;
- **Non-Cypriot AIFs** (subject to the discretion of competent authorities in the other jurisdiction).

04

Functions

Core Functions:

- ▶ Portfolio Management;
- ▶ Risk Management.

Additional Functions:

- ▶ Fund Administration;
- ▶ Marketing;
- ▶ Activities related to the assets of AIFs.

No authorisation shall be granted to provide MiFID Services.

05

Eligible Outsourced Functions⁵

- ▶ **Portfolio or Risk Management** to a regulated entity as long as at least 50% of Investment Management remains with the manager.
- ▶ **Additional Functions** (same as in point 4 above)

06

Capital Requirements

Initial Capital:

€50,000

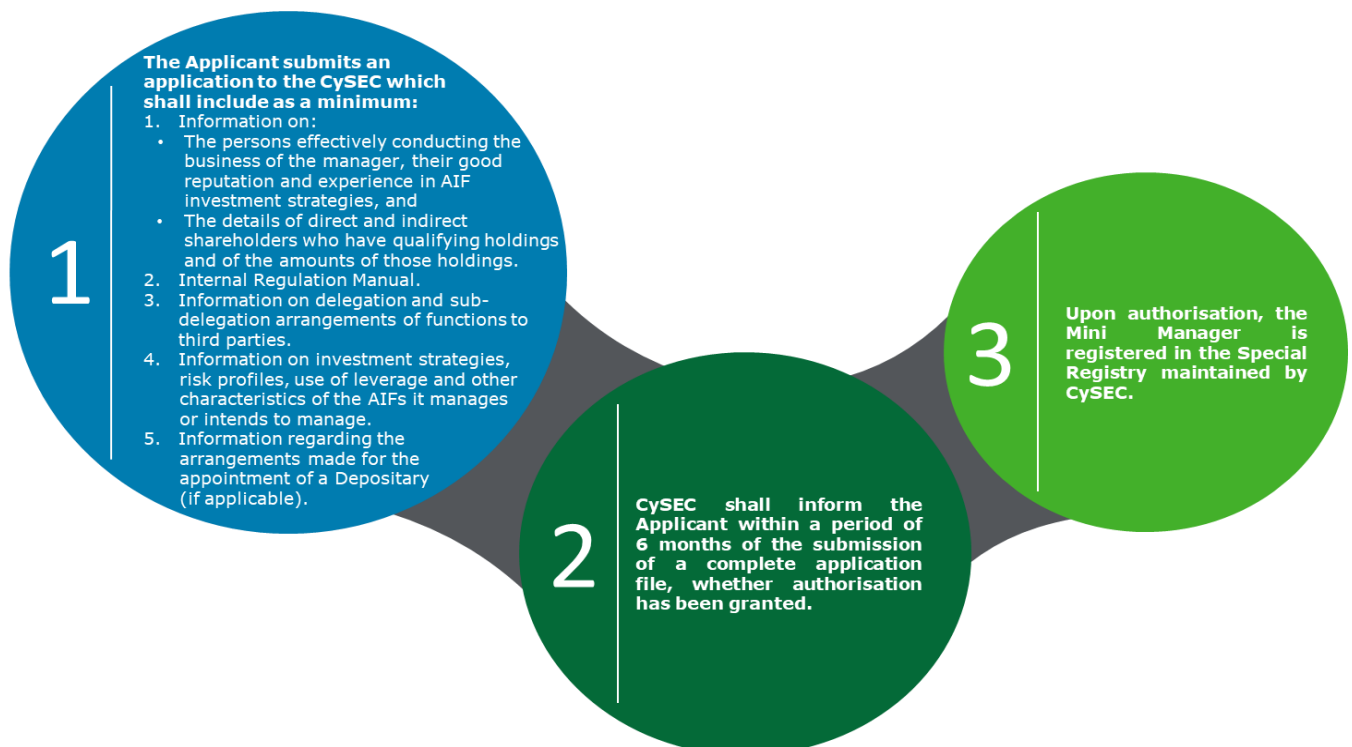
Additional Own Funds:

If AUMs managed exceed €125million⁶, additional own funds equal to 0.02% of the AUMs in excess of €125million.

Overall Capital:

Capital should not be less than 1/8 of the fixed costs of the previous financial year.

Mini Managers' authorisation procedure



4. Subject to pending relevant amendments to the Partnership Law.

5. This is not applicable for Mini Managers of Member States.

6. Applicable in the case where the Mini Manager manages portfolios of AIFs whose assets under management in total do not exceed a threshold of EUR500m up period and is not subject to the AIFM Law.



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