



Variable Capital Investment Companies

A short update based on the latest amendments of the Companies Law, Cap.113

Introduction

The Cypriot Companies Law, Cap.113 has recently been amended to include provisions relating to variable capital investment companies (VCIC).

The new provisions apply to investment funds which are permitted to be registered as VCICs under applicable law, including Alternative Investment Funds (AIF), Alternative Investment Funds with Limited Number of Persons (AIFNLP), Registered Alternative Investment Funds (RAIF) and Undertakings for the Collective Investment in Transferable Securities (UCITS).

Summary of provisions

The amendments include provisions in relation to the following matters:

1. the conversion of a private limited liability company with a share capital into a VCIC, and the relevant conversion procedure.
2. an exception to the requirement to provide details regarding the share capital of a VCIC in its annual return.
3. the circumstances under which a VCIC may be stricken off the companies' registry (and potential for its restoration).

4. the manner in which references to a VCIC's capital and shares should be expressed in its memorandum of association.
5. the form of the memorandum and articles of association of a VCIC.
6. a requirement to receive a confirmation from the Cyprus Securities and Exchange Commission before the incorporation of a VCIC and/or the amendment of the memorandum and articles of association of a VCIC.
7. an obligation to include in either the memorandum of association or the articles of association of a VCIC, specific references to the actual value of the issued share capital and the share redemption procedure; and
8. provisions relating to the redemption of shares.

Contents of the memorandum of association relating to share capital

Pursuant to the new provisions, the memorandum of association of a VCIC should state, in relation to its share capital, that:

- (a) the share capital of the company is equal to the value of the issued share capital of the company at the time.
- (b) the share capital is divided into a specified number of shares which do not have an assigned nominal value.
- (c) the number of issued shares from time to time may not be less than the minimum number specified in the memorandum; and
- (d) in case the share capital is divided into different classes of shares, the class or the classes of shares that make up the minimum number of shares noted above.

The minimum number of shares should correspond to the minimum initial capital provided by the Open-Ended Undertakings for Collective Investment (UCI) Laws of 2012 or the Alternative Investment Funds Law of 2018 as the case may be.

Steps that must be taken by each existing VCIC by 4 November 2022

Each existing variable capital investment company is obligated by 4/11/2022 to take necessary steps for its conversion to a VCIC as per the provisions of the Companies Law.

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