



N. XENOFONTOS LLC

INNOVATION STARTS HERE

FINTECH COMPANIES

CYPRUS



Introduction

Fintech in Cyprus is exponentially growing in a number of sub-sectors, demonstrating a broad interest from foreign investors across the financial industry.

In short, Fintech stands for 'financial technology' and includes the use of any technology; new and emerging technologies, blockchains and other ledger technologies in the financial services industry. Some areas of such expanding fintech influenced markets includes companies providing FX services, EMIs (electronic money institutions), the fund industry enabling the listing of such funds in international platforms such as Bloomberg (amongst others). One currently thriving industry is cryptocurrency trading platforms and crypto – exchanges.

Regulatory and Supervisory Framework

Regulated under the existing legal and regulatory financial industry framework, with certain bespoke rule applying to specific fintech activities. The Central Bank of Cyprus ('CBC') and the Cyprus Securities & Exchange Commission ('CySec') are the competent regulatory authorities.

CySEC is the independent supervisory authority that regulates:

- the investment services market;
- securities transactions;
- the Cyprus Stock Exchange and other organised markets; and
- the collective investment and asset management sector.

CySEC is responsible for the supervision and control of the Cyprus Stock Exchange and regulates licensed investment services companies, collective investment funds, fund management companies and consultants. CySEC has the power to grant licences to investment firms and brokers, and to impose disciplinary penalties for deviations from the stock market legislation.

The CBC's supervisory and regulatory powers include:

- regulating, licensing/authorising and monitoring the operation of credit institutions; and
- supervising payment institutions and electronic money institutions.

Procedure for Registration & Licencing

The most common structure is a limited liability company by shares, which operates as a Cyprus investment firm.

1. Choose a name

The desired name first needs to be approved by the Registrar of Companies ('RoC') and then an application is filed for registration of the name, once it has been approved. Prior to approval, it is advisable to perform a name search to see whether the desired name is available so that no time is wasted on finding alternatives in case it is seen that a similar and or identical name is already registered. It is mandatory for each company to have the suffixes 'Ltd' or 'Limited' at the end.

2. Decide on the corporate structure

Decide how many directors and shareholders the company will have.

In a vast majority of companies, nominee directors are used to show substance and for management and control purposes, in that the company's management and control is exercised here. Such directors should be local, Cyprus tax residents.

3. Specify purpose

Define the objects of the company, the share capital and, if necessary or desired, address special concerns like what powers will be given to the board of directors, if there will be special rights of shareholders, classes of shares with different rights, majority or special majority voting, etc.

Consider putting a shareholders' agreement in place.

Depending on the type of services/business a company wants to offer, a relevant licence must be obtained from the competent authority that regulates a specific service. Some examples of such services include:

- Structuring private equity investments into FinTech start-ups;
- . Payment institution licence;
- . Compliance with payments services laws and regulations;
- . Bitcoin, blockchain and other cryptocurrencies;
- IP and IT protection and licencing;
- . Data protection and data processing;
- Crowdfunding and other forms of financing.

The 3 Phases of the Incorporation Stage

Phase 1

Drafting and preparation of the corporate documents. The most important document is the Memorandum & Articles of Association drafted by a practising lawyer. This is the company's 'bible' and will set out how the company will be managed, what the rights of the shareholders are, the objects of the company, the amount of the initial share capital, names of the subscribers, the internal management regulations of the company, the rights, duties and responsibilities of the company's directors and so forth.

Other documents may include bank application forms if a bank account is required to be opened, minutes of first meeting of directors, appointed of first directors and secretary, director and secretary acceptance of appointment letters, issuance of first share certificate (and declaration of trust where a nominee shareholder will be used).

Phase 2

This involves submitting all the company's documents with the RoC, including the requisite forms and an affidavit by the lawyer and payment of the official fees.

Phase 3

This involves registration approval. After examining the submitted documents, the RoC will approve the registration of the company (or revert with clarifications or decline, as the case may be). Once approved, the corporate documents/certificates will be issued. These are:

- Memorandum and Articles of Association signed by the Registrar
- Certificate of Directors and Secretary
- Certificate of Shareholders

- Certificate of Registered Office
- Certificate of Incorporation

The Post Incorporation Stage

Once the company has been officially registered, you'll need to finalise your plans and other matters, as the case may be, such as opening a bank account, registering with the tax and VAT authorities, registering as an employer, appointing an accountant and auditor to undertake the company's financial and reporting obligations.

Taxation

Foreign shareholders enjoy the tax benefits of non-domiciled status in Cyprus (ie, there is no dividend tax) and a 12.5% corporation tax rate. Profits earned from the development of intellectual property and research also benefit from an 80% tax exemption under the IP Box Tax regime. Thus, only 20% of this income is subject to corporate tax at a rate of 12.5%; as a result, Cyprus resident companies may benefit from an effective tax rate of 2.5%.

Obtaining a Licence

Obtaining licencing from CySEC is a multi-step process which must be adhered to strictly to prevent undue delays, showing that all prerequisites and documentation have been submitted fully completed and included in the application.

Our services

- Company formation
- Licencing applications
- Fiduciary services
- Corporate administration – corporate secretarial services
- Bank account opening and management
- Compliance & Regulatory
- Shareholder Agreements
- General legal advice

If you wish to speak to a member of our firm for more details on establishing a FinTech company, connect with us.

Connect with us

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