



CYPRUS INVESTMENT FUNDS ASSOCIATION
ANNUAL REVIEW 2022



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President's Statement

Resilient Growth and Strategic Aspirations: Cyprus Investment Funds Sector in 2022

In 2022, a year filled with unpredictability, the investment funds sector in Cyprus demonstrated once again remarkable resilience and solid growth. The sector, one of the fastest growing in Cyprus' economy, has become a pivotal support for the nation's economic stability. Despite the challenges posed by the global economic landscape and geopolitical tensions, the Assets Under Management saw a significant rise, increasing from €2.7 billion in 2016 to almost €10 billion in the period under review.

The global economic disturbances caused by the COVID-19 pandemic and the war in Ukraine, and more recently the conflict in Israel and the Gaza Strip have also left their mark on Collective Investments. Yet, in the face of these adversities, the Cyprus Investment Funds Association (CIFA) has intensified its efforts. The association aims to attract international sector stakeholders to Cyprus, striving to establish the country as a centre of excellence in the international fund and asset management industries. Cyprus' allure as a fund destination is a result of a combination of factors. These include its status as a member of the European Union with access to the European market, its ability to provide cost-effective and tax-efficient solutions, and its strategic geographic location, which opens up opportunities in the yet-to-be-explored but promising markets of the MENA and Asian regions. Furthermore, the industry is expanding its reach into more affluent and significant countries, such as India, identified as a highly promising target market.

The strategic positioning of Cyprus as a premier destination in the EU for the asset management industry is increasingly evident. This is attributed to its wide range of competitive advantages, which span across various levels. The optimism for a continued and even accelerated inflow of funds and fund managers to Cyprus in the coming years is palpable. This optimism is further supported by the substantial number of applications for licensing currently pending approval from the sector's regulator, the Cyprus Securities and Exchange Commission (CySEC).

On the regulatory front, Cyprus has implemented targeted legislative updates, which have bolstered the country's overall status in the fund industry. This continuous legal modernisation is a necessary response to the heightened competition from other fund jurisdictions. There is an anticipation that the bill regulating the fund administration services profession will be approved by the Parliament in 2024, following a period of extensive discussions and deliberations.

The strategic positioning of Cyprus as a premier destination in the EU for the asset management industry is increasingly evident.



The Cypriot economy is proving its resilience in the face of unprecedented external shocks. This robust economic outlook is corroborated by international credit rating agencies, such as Moody's, which recently upgraded the long-term credit rating of Cyprus to an investment grade after nearly 13 years. Despite ongoing challenges such as persistent inflation, regional and global geopolitical tensions, and rising interest rates, there is a strong belief in the sustainable growth of the Cypriot economy, which was evident both during 2022 and during 2023. This growth is backed by the EU Recovery and Resilience Fund and is guided by the strategic plan 'Vision 2035'. The country's track record of overcoming obstacles, as seen after the 2013 financial crisis and during the COVID-19 pandemic, fuels this optimism.

At CIFA, there is a firm belief in the significant role that Foreign Direct Investments (FDI), including those made through foreign investment funds, can play in driving the sustainable growth and modernisation of the Cypriot economy. The investment funds sector has already seen nearly €3 billion invested in various sectors of the Cypriot economy, such as shipping, hospitality, education, healthcare, and renewable energy. There are strong indications that this trend will continue in the future.

Throughout 2022 and 2023, CIFA has been actively promoting the sector in numerous economic forums around the world, aligning with its mandate to promote Cyprus as a jurisdiction for funds. A notable achievement in this endeavour was hosting the 36th Annual Conference of the International Investment Funds Association in Cyprus in October 2023. This event, which was secured in 2022 through a competitive process, was highly successful. It not only showcased Cyprus as a premier fund destination but also highlighted its appeal as a business and cultural destination.

Expressions of gratitude are extended to the members of CIFA's Board for their unwavering efforts and commitment, to Invest Cyprus for its continuous support, and to various associations such as ICPAC, the CFA Society Cyprus, CISI, and the Association of Cypriot Banks for their productive cooperation. Additional thanks are due to the Ministry of Finance, the Cyprus Securities and Exchange Commission, and the members of the parliamentary Committee on Financial and Budgetary Affairs. Their strategic cooperation and actions have significantly contributed to enhancing Cyprus' reputation as a fund jurisdiction of high standards.

Andreas Ylasemides

President, Cyprus Investment Funds Association (CIFA)

Why Cyprus

Cyprus is fast becoming one of the top emerging investment fund centres in Europe in light of its continuous efforts to upgrade its legislative and regulatory regime, which is backed up by its strong network of financial and professional services providers. Determined to stay at the forefront of industry developments and offering unique access to high-growth markets, as well as a professional and cost-efficient jurisdiction for funds, the country has developed into a key regional domicile for investment funds and asset managers. The country's population is one of the most highly educated within the EU, and the expertise of its service providers has established Cyprus as a location of choice for international fund promoters and investors seeking secure and advantageous fund solutions.

- » EU member state compliant with EU laws and regulations
- » Eurozone member
- » Strategic geographical location between Europe, Middle East, Asia and Africa
- » Mature business centre with highly qualified professionals and sophisticated infrastructure
- » Extensive range of excellent legal and accounting services
- » Cost-effective setting-up and ongoing operational services
- » Favourable EU and OECD-approved tax regime
- » Access to an extensive network of double tax treaties allowing for tax efficient structuring of investments
- » Efficient and up-to-date regulation, fully harmonised with related EU Directives
- » Collective investments can be listed on the Cyprus Stock Exchange and other recognised EU stock exchanges
- » Cyprus-based funds and asset managers benefit from low tax burdens levied on Cyprus-based corporations
- » Incentives and tax benefits for high-earning managers and high-net-worth individuals

FUNDS DOMICILE

AT A GLANCE (Fourth Quarter of 2022)

Number of Management Companies and Undertakings of Collective Investments (UCIs)



Assets Under Management (AuM):

€9.5 billion

Net Asset Value (NAV):

€8.9 billion

CySEC-Authorised Management Companies and UCIs

Dec 2022

AIFMs	
AIFM (External Fund Managers)	44
AIFM (Internally Managed Fund)	1
Sub-threshold AIFMs	
AIF (Internally Managed)	1
AIFLNP (Internally Managed)	38
Special Purposes Entities	4
CIFs	14
Small AIFMs	2
UCITS Management Companies	
	4
Dual License Entities: AIFMs and UCITS MC	
	6
Externally Managed UCIs	
UCITS	13
AIF (Externally Managed)	62
AIFLNP (Externally Managed)	23
RAIF (Registered AIF)	121
Total	333
Total Number of UCIs	
	259

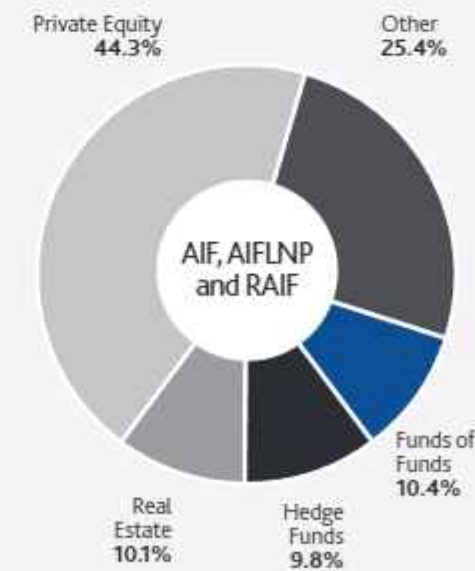
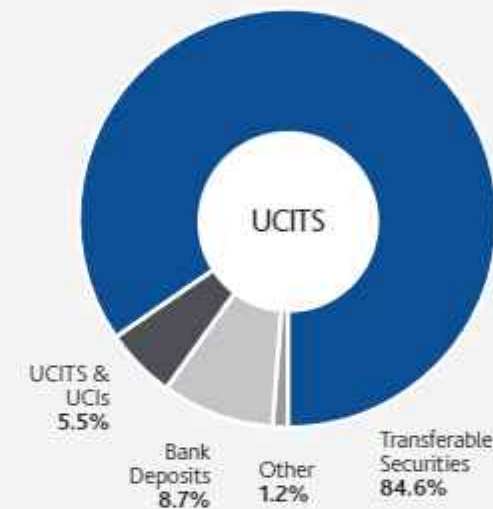
International Memberships

- International Organization of Securities Commissions (IOSCO)
- European Securities and Markets Authority (ESMA)
- European Fund and Asset Management Association (EFAMA)
- European Systemic Risk Board (ESRB)
- International Capital Markets Association (ICMA) – Associate Member
- International Investment Fund Association (IIFA)

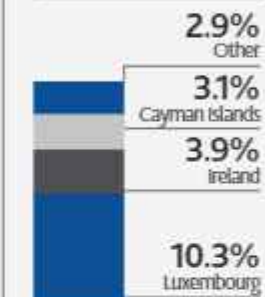
Memoranda of Understanding (MoU)

- Bilateral MoU with 19 Regulatory Authorities for the exchange of information
- Bilateral MoU with 47 Supervisory Authorities outside the EU for enhanced supervision of Alternative Investment Fund Managers
- Full signatory of the IOSCO and ESMA Multilateral MoU
- MoU with the Chartered Institute for Securities & Investment (CISI)

AuM Analysed by Investment Strategy



AuM Based on Domicile of UCIs Under Management



Investment Strategy of UCIs Invested in Cyprus



Investment in Specific Sectors

Energy
€259.6 million
(2.7% of total AuM)

Sustainable Investments
€64.4 million
(0.7% of total AuM)

Shipping
€116.7 million
(1.2% of total AuM)

Fintech
€60.1 million
(0.6% of total AuM)

EUROPEAN INVESTMENT FUNDS

AT A GLANCE (Source: EFAMA Factbook 2023)

Net assets at end 2022:
€19.1 trillion

UCITS: €12 trillion	AIFs: €7.1 trillion
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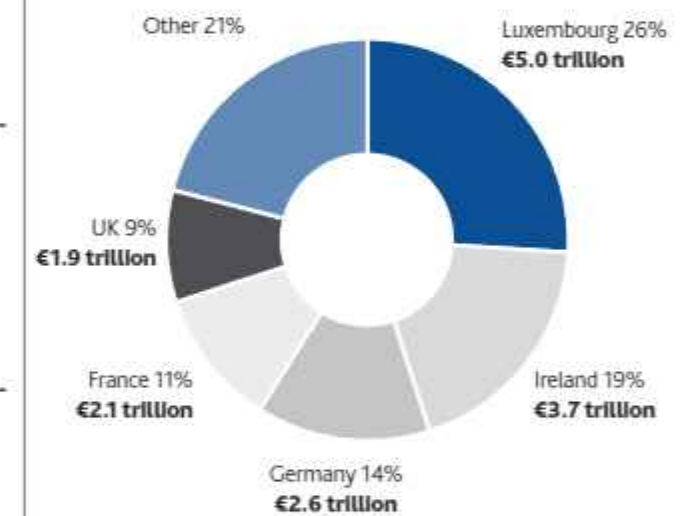
Net outflows in 2022:
€273 billion

UCITS: €167 billion	AIFs: €105 billion
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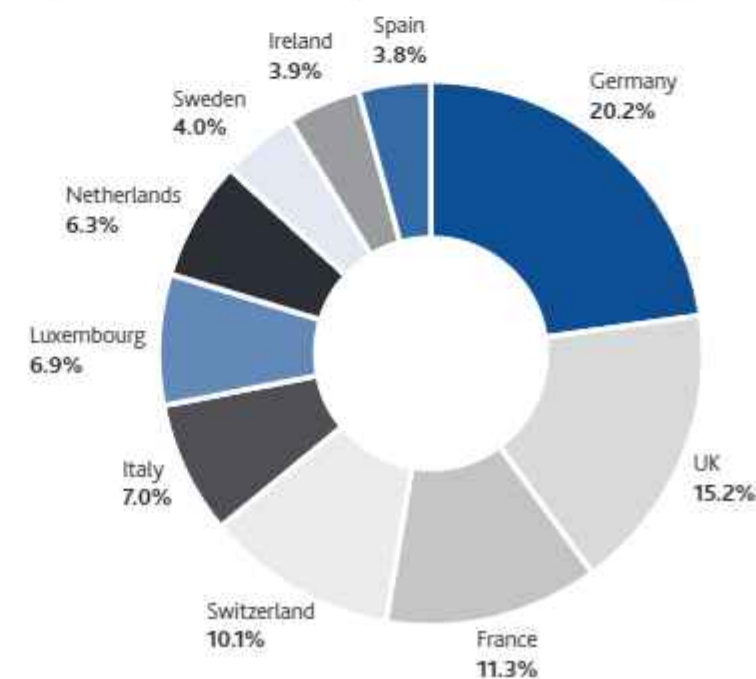
Net asset increase since end 2012:
€9.6 trillion

Net sales: €5.3 trillion	Market appreciation: €4.3 trillion
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Top Shares in UCITS and AIFs Net Assets in 2022



Top five countries accounted for 79% of total net fund assets.



Top Country Shares of Fund Ownership in 2022

KEY DEVELOPMENTS IN THE UCITS AND AIF MARKETS IN 2022

Source: EFAMA

Net sales of UCITS and AIFs have turned negative, but the decline in net assets was mostly due to the fall in stock and bond prices.

The year 2022 was difficult for UCITS and AIFs, which recorded significant net outflows of €167 billion and €105 billion, respectively. Net UCITS assets declined by 13.4%; net outflows represented 1.2% of UCITS net assets at end 2021 and the remaining 12.2% were due to the market decline. Net AIF assets declined by 11% in 2022, with net outflows accounting for 1.3% of this.



The UCITS market was marked by substantial net outflows, from equity and particularly bond funds.

The net outflows from equity UCITS reflected the poor performance of stock markets over much of 2022. Bond UCITS registered their worst results in 10 years, primarily due to a sharp rise in interest rates that negatively impacted the valuation of outstanding debt securities and the attractiveness of bond funds.



Net AIF sales were impacted by Dutch pension funds moving away from AIFs.

Net outflows from AIFs reached €105 billion in 2022. This was mainly due to the decision of several pension funds in the Netherlands to manage their assets in segregated mandates rather than in AIFs, because of the new IFR/IFD prudential rules. Excluding the Netherlands and Denmark – where there was also a trend away from AIFs – AIFs would have registered solid net inflows in 2022 (€108 billion), particularly in other AIFs and multi-asset AIFs.



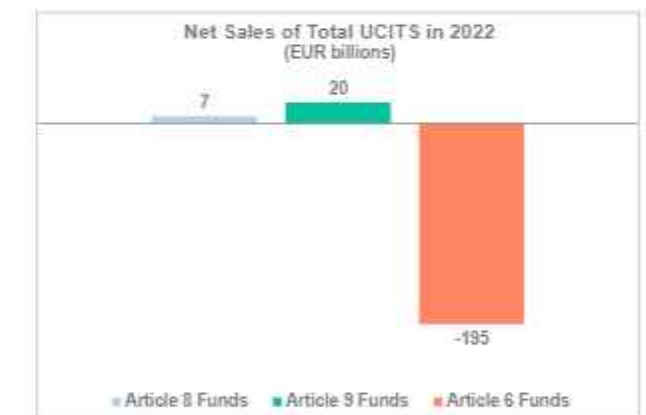
The war in Ukraine and rapidly rising interest rates led to weaker economic growth and net outflows from long-term UCITS in 2022.

This outcome confirms that the economic situation has a strong impact on investors' willingness to invest in capital markets and especially in long-term UCITS. It can also be observed that the Covid-19 pandemic in 2020 led to a decline in GDP and a fall in the net sales of long-term UCITS during that year. At the same time, the strong rebound in economic growth in 2021 was accompanied by record net inflows into long-term funds.



Demand for SFDR Article 9 funds was remarkably resilient.

Net sales of Article 9 funds amounted to €20 billion in 2022, with positive net inflows in each month of the year. These solid net inflows were even more striking given that many SFDR Article 9 funds were reclassified as Article 8 in the second half of the year to comply with the SFDR Level 2 guidance provided by ESMA.



UCITS ETFs was another market segment where net sales remained positive.

UCITS ETFs attracted €86 billion in net new money in 2022, a stark contrast to the overall net outflows from long-term UCITS (€195 billion). This suggests that the demand for ETFs is less impacted by the global economic and market environment. The fact that ETFs are typically low-cost funds that can be traded like stocks undoubtedly played a role in their continuing popularity.

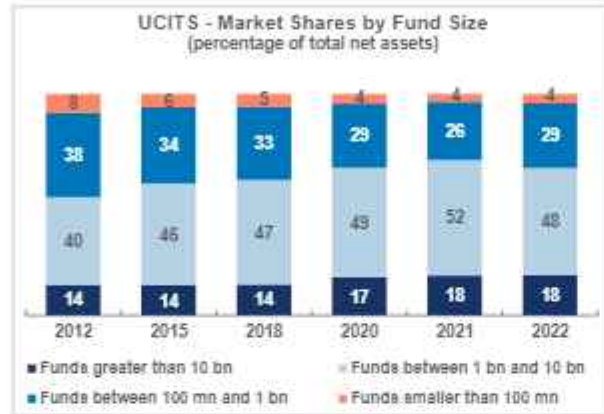


LONG-TERM TRENDS IN THE EUROPEAN FUND INDUSTRY

Source: EFAMA

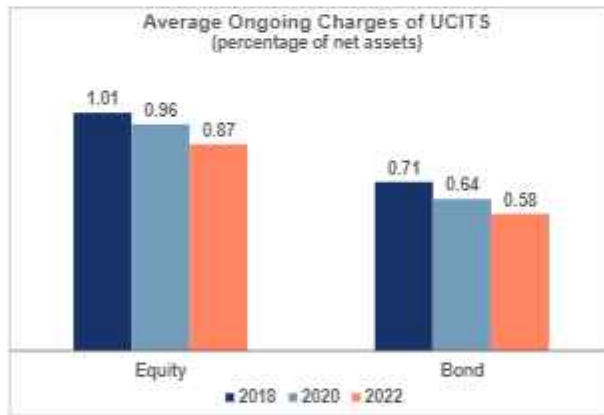
Large funds are becoming increasingly important in the UCITS market.

It is often noted that there are too many small funds in Europe, which cannot take advantage of economies of scale to better cover their fixed costs. There were around 12,500 UCITS with less than €100 million under management in 2022. However, these small funds only amount to around 4% of the total net assets of UCITS in 2022, with a market share that is gradually falling. At the same time, the share of the funds with more than €1 billion in net assets is steadily increasing.



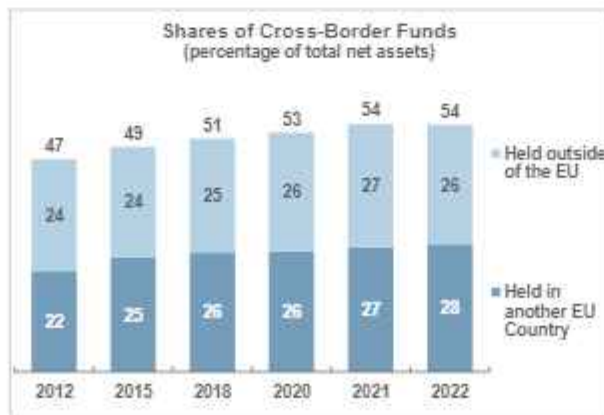
The average cost of UCITS continued to fall during the last five years.

Looking at the 2018-2022 period, the average cost of equity UCITS decreased from 1.01% to 0.87%, whereas the cost of bond UCITS declined from 0.71% to 0.58%. This trend is expected to continue in the future, as increased transparency on fees and competition between fund managers in general and between active and passive funds in particular will remain in force.



The European fund industry is becoming more international, with growing importance for cross-border funds.

The share of cross-border funds domiciled in the European Union increased from 47% in 2012 to 54% in 2022. During this period, the share of funds held in another EU country rose from 22% to 28%, whereas funds held outside of Europe saw their share increase from 24% to 26%. These trends confirm the vitality of the single market for UCITS and their success outside the EU, particularly in Asia and South America.



WORLDWIDE INVESTMENT FUNDS

AT A GLANCE

(Source: EFAMA Factbook 2023)

Worldwide Total Net Assets 2022:
€60.8 trillion

Worldwide Total Net Outflows 2022:
€9.6 billion

Net Sales by Fund Type
(€/billions)

Equity
-26

Bond
-258

Multi-Asset
-95

Money Market
198

Other
172

Net Assets of Investment Funds in 2022 (%/€ trillions)

7% / 4.3
The Americas and ZA (excl. USA)

14% / 8.6
Asia-Pacific

31% / 18.5
Europe

48% / 29.3
USA

Net Assets by Fund Type (%/€ trillions)

42% / 25.7
Equity

19% / 11.2
Bond

16% / 9.9
Multi-Asset

14% / 8.3
Money Market

9% / 5.6
Other

About CIFA

Support and Development The Cyprus Investment Funds Association (CIFA) was established in 2013 to support investors and asset managers in setting up and structuring funds in Cyprus. In addition to investor support, CIFA's focus is to enhance the sophistication and development of the investment funds sector. The purpose and aspiration of CIFA is to be the collective voice and the reference point for all professionals and legal entities offering services or who are engaged in the investment funds industry in Cyprus. The Board of CIFA is comprised of highly reputable professionals experienced in all aspects of the industry, including fund management, advisory, banking, auditing and legal services. CIFA now has over 370 members from more than 160 leading companies in Cyprus.

Technical Expertise To better fulfil its mandate, and to best utilise the valuable expertise of its members, CIFA has established 11 Technical Committees comprising of experienced industry professionals. The committees follow relevant developments at local and international level, analyse and discuss implications, challenges and opportunities and recommend best policy options and course of action, that will allow Cyprus to remain at the forefront of related issues internationally, while continuously expanding and updating its product to meet market needs.

Local and International Cooperation CIFA has a strong working relationship with Cyprus' investment promotion agency, Invest Cyprus, which first took the initiative for the establishment of CIFA as a natural development of the progress made thus far in promoting Cyprus as a competitive investment funds jurisdiction. In extending its local network, CIFA has established close cooperation with the competent regulatory authorities, the Ministry of Finance, as well as the relevant industry associations and professional bodies. At an international level, CIFA is taking all the necessary steps to become a national member of widely recognised and respected international bodies.

An important milestone for CIFA was in 2016, when it became a full member of the European Fund and Asset Management Association (EFAMA). CIFA is actively involved in EFAMA Board of Directors' meetings and hosted the 2018 AGM of EFAMA in Cyprus. CIFA was also accepted as a member of the International Investment Funds Association (IIFA) in April 2019, is an associate member of the International Capital Markets Association (ICMA) and has signed a Memorandum of Understanding (MoU) with The Chartered Institute for Securities & Investment (CISI). CISI is the leading professional body for securities, investment, wealth and financial planning professionals.

Strategic Relationships CIFA has boosted the visibility of Cyprus globally by establishing strategic relationships through which Cyprus funds are able to list on international fund platforms or organisations such as Clearstream, Refinitiv (ex-Thomson Reuters) and Bloomberg, with discussions currently underway with also Morningstar. In addition, Cyprus has bilateral MoUs with 19 regulatory authorities for exchange of information, with 47 supervisory authorities outside the EU for enhanced supervision of alternative investment fund managers, and is full signatory of the IOSCO and ESMA multilateral MoU.

Support CIFA members

CIFA's Technical Committees analyse and discuss implications, challenges and opportunities presented by developments at both a local and international level. Related guidance papers are issued to act as sources of reference to market participants and to help them capitalise on industry trends.

Promote the Cyprus investment fund industry

CIFA's ultimate goal is to promote the Cyprus investment fund industry both at home and abroad. This is achieved locally by representing the industry in economic missions organised by the government and regulatory authority, by hosting fund conferences, events and seminars, and by interacting with the media. Internationally this is achieved by promoting awareness through its involvement with industry associations, participation in industry conferences, targeted roadshows and sponsoring international fund forums in key markets across the world.

Enhance professionalism, integrity and quality in the industry

The global financial services sector is subject to fast-changing regulations and increased focus on compliance and transparency. CIFA encourages professionalism, quality and integrity in the services offered by market participants by promoting the protection of investors, advocating adherence to high ethical standards, transparency and good corporate governance. CIFA also provides relevant training in order to further support the industry's growth and the development of best practices.

Shape and develop regulation

CIFA monitors developments in the global industry and works closely with the government and regulatory authority in shaping regulation, both when required in light of regulatory developments at a European level, as well as when needed to develop new products and services in order to remain competitive.



OUR MISSION



Board of Directors



Andreas Yiasemides
President



Spyros Vassiliou
Vice President



Panikos Teklos
Vice President



Maria Panayiotou
Board Secretary



Constantinos Papanastasiou
Board Treasurer



Christoforos Antoniadis
Board Member



Antonis Antoniou
Board Member



Andreas Athinodorou
Board Member



Marinos Christodoulides
Board Member



Christos Kalogeris
Board Member



Elia Nicolaou
Board Member



Omiros Nishlotis
Board Member



Charalambos Phokas
Board Member



Charalambos Proutzos
Board Member



Antonis Rouvas
Board Member



Marios Tannousis
Board Member



Demetris Taxitaris
Board Member

CIFA Activities 2022

Developing the Fund Industry

In the course of 2022, the CIFA Board of Directors has collaborated closely with the Technical Committees to achieve a set of pivotal objectives. The focus began with fortifying the membership base, aiming to elevate CIFA's visibility on both the global and local stages. This involved delivering high-quality information and training to members, while concurrently elevating professional standards. A paramount objective throughout the year has been the steadfast execution of a meticulously crafted strategy geared towards advancing and promoting the funds sector. Simultaneously, efforts have been concentrated on augmenting the appeal of Cyprus as the preferred jurisdiction for investment funds and international fund managers.

Introducing Novel Ventures and Consolidating Ties with Crucial International Entities in the Investment Funds and Asset Management Arena.

After successfully executing a project to onboard Cyprus funds onto Clearstream, resulting in the successful listing of Cyprus funds on the Clearstream platform. The representative of CIFA continued negotiations with Clearstream with regards to discrimination of Cyprus based investors. Another significant achievement for CIFA was the honour of hosting the Annual International Investment Funds Association (IIFA) Meeting in 2023.

Furthermore, through a strategic alliance and Memorandum of Understanding (MoU) with the Chartered Institute of Securities and Investment (CISI), CIFA members and professionals in Cyprus and the region now have access to specialised training, capacity building, and best practices. This series of achievements underscores CIFA's commitment to enhancing the presence and capabilities of Cyprus funds on both domestic and international platforms.

CIFA Quarterly Newsletter

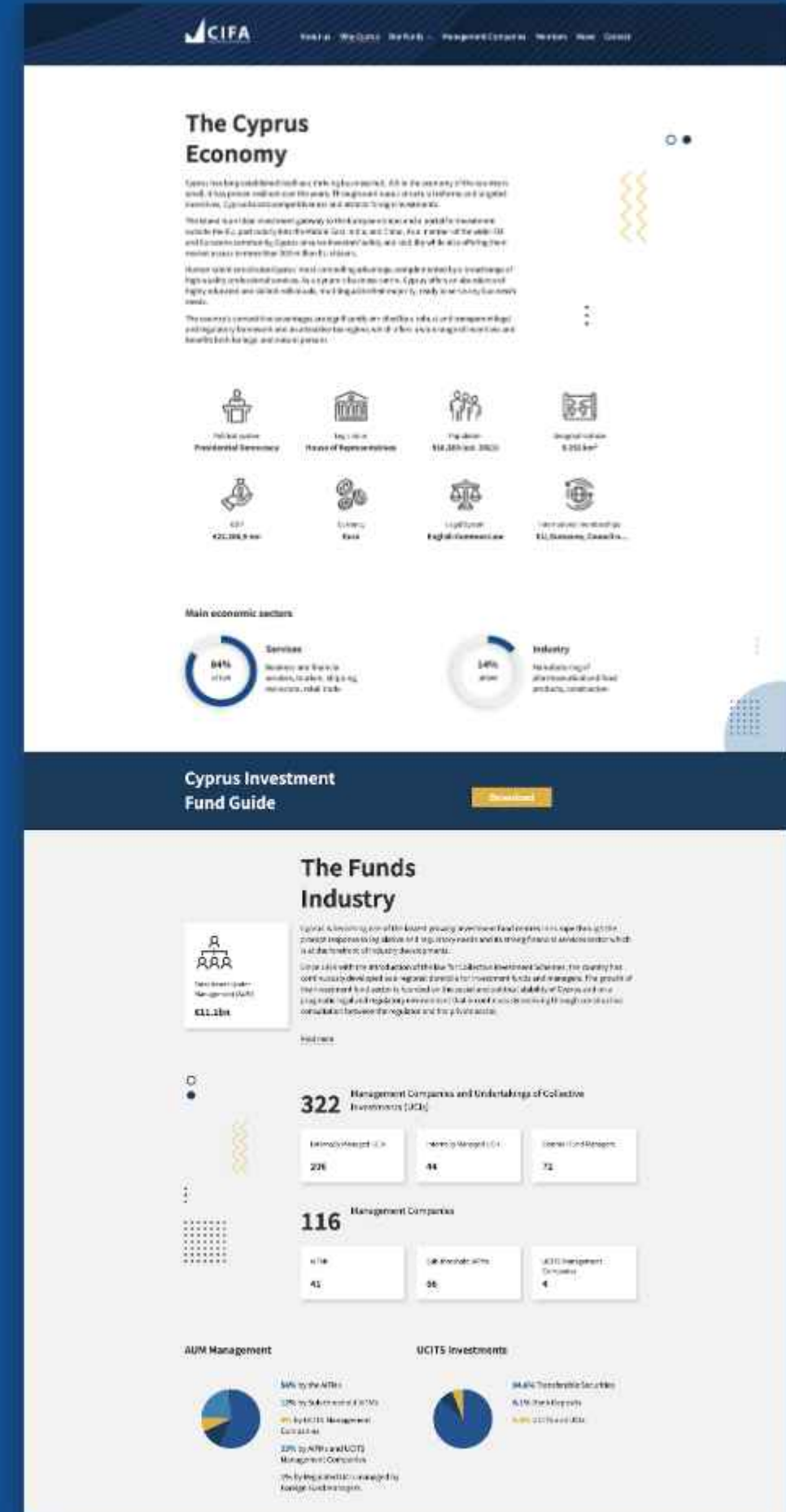
CIFA introduced its newsletter in 2013, serving as an informative platform for CIFA members and the broader funds industry. This publication offers insights into legal and technical issues, along with developments within the funds sector. Functioning as a crucial tool, the newsletter establishes a direct communication channel with members and individuals involved in relevant activities, contributing to the broader visibility of CIFA. Released quarterly, the newsletter features valuable contributions from CIFA members, government officials, and the supervisory authority. Since its inaugural release in September 2013, the newsletter has been consistently published, distributed, and made accessible on the CIFA website.

CIFA Technical Committees

In 2022, CIFA's Technical Committees continued to serve as the driving force behind innovation and progress within Cyprus' fund industry. These dynamic committees engaged in collaborative brainstorming sessions, providing a platform for industry experts to collectively address challenges and pinpoint opportunities. Their initiatives took centre stage in shaping the fund industry landscape by crafting strategic plans, proposing regulatory enhancements, and introducing cutting-edge practices. Through meticulous analysis and forward-thinking discussions throughout the year, these committees made substantial contributions to the growth and advancement of the sector. Remaining abreast of current industry trends, CIFA's Technical Committees played a pivotal role in ensuring that, in 2022, Cyprus retained its competitive edge and allure as a jurisdiction for investment funds. This demonstrated a steadfast commitment to excellence and continuous improvement within the financial realm.

CIFA Social Media

In 2022, CIFA continued to leverage the power of social media as a central communication platform. Strategically expanding its presence across diverse social media channels, CIFA utilised these platforms to actively connect with its members and the broader funds industry. The content disseminated on social media offered valuable insights into legal and technical aspects, delivering timely updates on developments within the funds sector. These social media channels played a pivotal role as essential tools for direct interaction, creating a dynamic avenue for communication with members and stakeholders, thereby bolstering CIFA's visibility within the industry. Consistently sharing posts that featured contributions from CIFA members, government officials, and industry experts ensured that the information remained both timely and relevant. Throughout 2022, CIFA's commitment to a robust social media presence remained steadfast, fostering ongoing engagement, and contributing to an expanded reach within the financial community.



CIFA Events & Other Participations

EFAMA Board of Directors Meetings

CIFA participates in the European Fund and Asset Management Association (EFAMA) Board of Directors meetings on a regular basis where important issues are discussed, and decisions taken.

Online Conference: Israel & Cyprus Investment Funds and Asset Management Industry

Conference: 6th London Business Summit
21 March 2022

Organised by the Economist

Conference: Participation at the 7th Cyprus Professional Services Conferences

24 May 2022

Organised by IMH

CIFA Annual General Meeting

27 May 2022

Organised by CIFA

Conference: Invest Cyprus Road Show in Israel

29 May 2022

Organised by Invest Cyprus

Conference: New York – Mediterranean Business Summit

31 May 2022

Organised by Economist Impact

Networking event: Cyprus-India networking event

17 July 2022

Organised by the Cyprus Chamber of Commerce and Industry and the Ministry of Energy

Press Conference: The latest developments of the funds sector

28 September 2022

Organised by CIFA



...CIFA EVENTS & OTHER PARTICIPATIONS 2022

Conference: 18th Annual Cyprus Summit
19 October 2022*Organised by the Economist***Conference: Annual Conference of
the International Investment Funds
Association (IIFA) in London**
25-26 October 2022*Organised by IIFA***Conference: The International
Funds Summit & Expo**
7-8 November 2022*Organised by IMH, Invest Cyprus and CIFA***Event: The Cyprus-Spain business event**
8 December 2022*Organised by the Cyprus Chamber of Commerce and
Industry***Event: Meeting with the Presidential
candidate Nicos Christodoulides**
14 December 2022*Organised by CIFA***Event: Meeting with the Presidential
candidate Averof Neofytou**
15 December 2022*Organised by CIFA*

During 2022, CIFA also took part in multiple business events organised by various other local and international institutions.



Technical Committees

To fulfil its mandate and to best utilise the valuable expertise of its members, CIFA has established 11 Technical Committees comprising of experienced industry professionals. The Committees follow relevant developments at local and international level, analyse and discuss implications, challenges and opportunities and recommend best policy options and course of action, to allow Cyprus to remain at the forefront of related issues internationally, while continuously expanding and updating its product to meet market needs.

Committee	Chairperson
▶ AIF Committee	Michalis Vasiliou
▶ Anti-Money Laundering (AML) Committee	Giorgos Konstantinou
▶ Asset Management and Distribution Committee	George W. Sams
▶ Ethics and Risk Management Committee	Andreas Theophanous
▶ FinTech Committee	Antonis Houry
▶ Fund Administration Committee	Andreas Athinodorou
▶ Legal and Regulatory Committee	Spyros Vassiliou
▶ Statistics and Fund Research Committee	George Martides
▶ Tax Committee	Neofytos Neofytou
▶ Training and Human Resource Committee	Emilios Tannousis
▶ UCITS Committee	Alexios Kartalis

Technical Committee Summary Reports

AIF Committee

Chairperson:
Michalis Vasiliou

Given the undesirable events and unforeseen circumstances of the last couple of years, the Undertakings of Collective Investments Sector could not stay unaffected. Based on the data for the 4th quarter of 2022, the Total Assets Under Management (AUM) reached €9.5 billion, recording a 17.7% decrease comparing with the same period in 2021. The AIF Committee held meetings during 2022, the most notable matters discussed were:

- **Fund Jurisdictions' Comparison**

The Committee has identified the need to create and maintain a comparison table with the major Fund Jurisdictions, considering relevant parameters such as the legal framework followed, substance requirements, need for depositary appointment, etc.

- **European Updates and Developments**

- ESMA's published technical standards on cross-border activities under the UCITS directive and the AIFM Directive
- ESMA's updated Q&As on the application of the AIFMD

- **Other Matters of Discussion**

- Partnerships Law – important to maintain competitiveness with other funds jurisdictions
- Cross-border e-marketing
- Crypto funds and other EU member states current regulatory framework

Anti-Money Laundering (AML) Committee

Chairperson:
Giorgos Konstantinou

Purpose: The purpose of the committee is to assist the BOD of CIFA in addressing matters related to Anti-Money Laundering (AML) and Compliance in the Fund Industry, liaise with the competent authorities for ML/TF matters, and to support the market practitioners in the fund industry.

Activity Report for 2022

The following report has been prepared to summarise the activities undertaken during the current year on behalf of CIFA AML Technical committee:

Completed actions:

- Reviewed and provided comments on CySEC Consultation Paper "Improving the Facilitation of Customer Due Diligence with Innovative Technologies"
- Reviewed and recommended actions for AML critical issues that affect the fund industry
- Preparation of AML section for EFAMA report
- Monthly meetings with the committee members to discuss and act on AML/CFT related matters, and provided recommendations to the BoD and other key stakeholders within the fund industry
- Met with other professional bodies and technical committees to discuss AML issues and identify ways to overcome such challenges
- Reviewed and analysed the upcoming changes in the regulation, including consultation papers issued from the regulator and provided feedback and comments
- Memo sent to CIFA BoD following our review to the letter provided from the Companies Registrar in relation to the UBO Registry

- Met and discussed with regulators and other professional bodies the current regulatory landscape regarding the digital identity verification
- Met and discussed with other industry professionals about the Anti Money Laundering Authority (AMLA), that is expected to be in full force within 2023-2024. Main intention was to examine any proactive actions that we need to undertake as fund sector
- The AML committee has also analysed the Markets in Crypto-Assets (MiCA) Regulation, which aims to regulate the crypto assets service providers

Brief outlook for the future

The future outlook for Cyprus is closely correlated with regulatory developments, particularly in the areas of Anti-Money Laundering (AML), financial crime and wider regulatory regimes. As previously stated, the Cyprus authorities in charge for Combating Money Laundering (ML) and Terrorist Financing (TF) have come a long way in transforming their Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) regimes, however they have a long way to go considering the latest developments and challenges ahead. Here's an overview of the key areas:

- **Strengthening AML Regulations:** Cyprus has faced scrutiny in the past regarding its AML framework. The country has been taking steps to enhance its AML regulations to comply with international standards and mitigate financial crime risks. The implementation of stricter AML measures is likely to continue, including enhanced due diligence, monitoring of suspicious transactions, and cooperation with international AML initiatives.
- **Adoption of EU Regulations:** As a member of the European Union (EU), Cyprus aligns with EU regulations that impact the financial sector. Recent and upcoming EU regulations, such as the Anti-Money Laundering Directive (AMLD), Markets in Crypto-Assets Regulation (MiCA), and the Anti-Money Laundering Authority (AMLA), will have implications for the regulatory landscape in Cyprus.
- **Enhanced Supervision and Compliance:** Regulatory developments may lead to increased supervisory oversight and compliance requirements for financial institutions and businesses operating in Cyprus. Stricter reporting obligations, risk assessment frameworks, and internal control systems are likely to be enforced to ensure better AML compliance.
- **Impact on Financial Sector:** Regulatory developments in AML and financial regulations can influence the financial sector in Cyprus. Banks, payment service providers, fund services, crypto-asset businesses, and other financial entities may face stricter regulatory obligations, licensing requirements, and supervision to mitigate money laundering and terrorist financing risks.
- **Reputation and International Cooperation:** Regulatory improvements are essential for Cyprus to enhance its reputation in the international financial community. Adherence to AML regulations, cooperation with international bodies like the Financial Action Task Force (FATF), and collaboration with other jurisdictions are crucial for maintaining trust and attracting foreign investment.
- **Technology and Innovation:** Regulatory developments, such as MiCA, which aims to regulate crypto assets, may impact the emerging technology and innovation sector in Cyprus. Businesses operating in the fintech, blockchain, and digital asset spaces will need to comply with the evolving regulatory framework to foster innovation while ensuring consumer protection and financial stability.

Finally, the rapid pace of technological advancements will inevitably lead to increased complexity and cost in combating crime, terrorism, and money laundering. Technology will play an integral and invaluable role in anti-money laundering efforts. Companies will need to allocate significant resources towards developing faster and more secure methods to comply with anti-

money laundering regulations. This includes implementing appropriate technology solutions, re-evaluating and enhancing policies and procedures, and engaging top-notch risk advisory consultants for support. Ultimately, the collaboration between technology, human expertise, and robust compliance measures will be vital in combating financial crimes effectively.

Asset Management and Distribution Committee

Chairperson:
George W. Sams

The main objective of the committee is the support, development and growth of the Fund and Asset Management industry in Cyprus. Among the issues discussed were how to promote Cyprus, how to approach international asset managers that have operation in Cyprus, and the tax framework for asset managers and investors.

Executive Summary

- **Introducing New PEPP (Pan-European Personal Pension Product) Committee CFA/CIFA**
A new working group on PEPP (Pan-European Personal Pension Product) which has been established in cooperation with the CFA Society Cyprus Advocacy Committee with the ultimate goal of increasing awareness in Cyprus regarding the PEPP. This cooperation is formed under the umbrella of the MoU signed between CIFA and CFA Society Cyprus. The PEPP Committee consists of eight members, five members of the Committee and three members of the CFA Cyprus Advocacy Committee. The members of the Committee participating in the PEPP working group are George Sams, Alkis Hajitofis, Constantinos Kourouyiannis, Maria Ombashi and Panayiotis Chrysostomou. On behalf of the CFA Society Cyprus, the members are Panayiotis Mavromichalis, president of the CFA Society Cyprus, Zenon Papaphilippou and Eleni Constantinou, CFA Society Cyprus Board Members. In this context a Q&A-presentation of PEPP was sent to all members of CIFA and CFA at end of March 2021
- **Onboarding Cypriot Funds on Morningstar**
Following the progress of discussion between CIFA and Morningstar for the upgrade of funds domiciled in Cyprus, Cyprus funds will be rated and become visible to investors. This is considered important as it will enhance the visibility of both the funds themselves as well as the jurisdiction, while it is expected to simplify the due diligence procedures performed by third-party institutions when considering investments and wire transfers into Cyprus funds. The success of Cyprus entering is expected to stimulate interest. In this context two emails have been sent to all members and fund managers were informed about the advantages. All interested fund managers, especially those investing into financial securities have been already informed about the procedure for uploading on a monthly basis fund data on the Morningstar platform. A committee under CIFA is working on prerequisites and will conclude soon the list of funds that will be evaluated from Morningstar.
- **New Taxation Scheme for Funds**
Following our proposal three years ago to adapt a new form of taxation for funds (NAV taxation) our committee, with the presence of Mr. Yasemides, Mr. Gregoriades and Mr. Neofytou, was called to investigate-formulate the last tax proposal and to decide on the criteria that funds in Cyprus will follow and implement the NAV taxation. Our goal is to find an effective solution which will satisfy our ethical obligations as managers towards our investors and at the same time support the growth of the fund industry in Cyprus. A win-win outcome.

• Tax Incentives for Asset Management

Mr. Sams highlighted the importance of forming a proposal for tax incentives to fund investors given the long-lasting low interest rate environment. Currently tax incentives are only available for savers with insurance plans. This matter needs to be discussed with other investment professionals as well and some criteria needs to be set for tax exemption eligibility. This topic could also be discussed with members of the UCITS Committee. The committee has stressed the importance of linking tax incentives with ESG factors, a trend also observed in the UK. And or if investments in funds are associated with retirement, then it could be easier to convince tax authorities to grant tax incentives. There are tools which can be used so that funds to be associated with retirement, such as special provisions in the investment policy for long-term investments as well as the use of lockup periods to prevent early redemption of units.

Brief Outlook for the Future

- Further enhance the collaboration of all involved with regards to Pan-European Personal Pension Product (PEPP)
- Conclude on the final criteria for introducing NAV taxation for funds in Cyprus
- Communication with Asset Managers for discussion with regards to operational issues that practitioners are currently facing
- Tax incentives for Cypriot funds, proposal will be presented to CIFA BoD
- Morningstar onboarding Cypriot funds

The activities of the Committee are primarily focused on monitoring developments in the area of ethics and risk management, with an aim to translate these into best practice recommendations for our members and the industry as a whole. To this end, the Committee monitored throughout the year, regulatory and market developments, and discussed these with the regulator and market participants, in an attempt to identify areas where further guidance may be required. Looking ahead to the next year, the Committee will continue its work on the basis of its current terms of reference and will focus its activities on market and regulatory developments, arising primarily from new regulations and directives, so to develop practical tools and guidance for our members, to be able to address such new requirements within their own practices.

The primary goal of the Financial Technology (FinTech) committee is to identify emerging technologies that have the potential to affect and advance the finance sector. The FinTech committee's duties include keeping an eye on changes in the financial technology sector, identifying significant trends and technologies that can be applied to the investment funds sector, and advising and assisting CIFA in the adoption of new standards and technologies that can promote the development of the investment funds sector in Cyprus.

The adoption of new technology standards by investment funds and the effects of new technology on the funds industry are given special consideration. RegTech, the technology developed to handle regulatory issues in the financial services industry, is given special attention. The committee met with officials of the Cyprus Securities and Exchange Commission (CySEC) and had conversations with them in which they shared thoughts and opinions on how to encourage the use of regulatory technology (RegTech) in the Cyprus funds sector for monitoring, supervision, Know Your Client (KYC), and anti-money laundering (AML) reasons. The committee's goal is to keep an eye on emerging technology trends and make suggestions for the required reforms that the funds industry should implement.

Ethics and Risk Management Committee

Chairperson:
Andreas
Theophanous

FinTech Committee

Chairperson:
Antonis Houry

Fund Administration Committee

Chairperson:
Andreas Athinodorou

In 2022, the Committee aimed at aiding the CIFA Board of Directors to build excellence in the profession. The Committee's Chairperson held virtual meetings with the members and their efforts were concentrated on achieving a reduction of the minimum required insurance coverage amount of the fund administration draft bill submitted to the Ministry of Finance for review. Through the Committee's initiative and the assistance from the CySEC Vice-Chairman and the CIFA Chairman, the objective of reducing the amount from 1% of total assets under administration to 0.5% was approved by the competent authorities and the draft bill was changed accordingly.

Apart from the above, the Committee showcased tremendous flexibility by adjusting its efforts and objectives to the rapid changes concerning the profession. Specifically, the Committee addressed the following matters throughout the year under review:

- Proposed recommendations on the practical implementation of UBO submissions for funds and participated in meetings with the CySEC and Registrar of Companies to present them
- Liaised on a continuous basis with other Committees and the Board of CIFA in an attempt to resolve technical issues such as the inability to issue fractions of shares for corporate funds
- Engaged with associations outside Cyprus to enquire about foreign national practices and ethics standards and entertained the idea of adopting them locally
- Emphasised to the CIFA Board of Directors the importance of promoting transparency and visibility with regards to the fund administration profession, due to the delay in ratifying the draft bill supervising the relevant services. The CIFA Board entertained the idea of data collection from all CIFA members in relation to their areas of practices and offered services, in an effort to promote transparency and offer visibility within the industry. The Board's decision to entertain the matter was to obtain data from the market in the form of a survey. To this end, a survey document is currently being prepared, with the collaboration of the Training and Human Resources Committee.

Legal and Regulatory Committee

Chairperson:
Spyros Vassillou

The Legal and Regulatory Committee monitors developments at EU level and at main investment funds centres by analysing, inter alia, the papers and guidelines of ESMA as well as any relevant bibliography, including publications by major law firms, industry associations, papers supporting EU legislative initiatives and relevant EU jurisprudence. The Committee also reviews laws and regulations and recommends to the Board proposals and amendments to be submitted to the Regulator. During this year the Committee reviewed the activities and acted accordingly on specific matters, guidance, and instruments from the EU (ESMA, Luxembourg, Ireland, Malta). Indicatively the Committee Reviewed:

- Categorisation Directive Amendment
- Compliance DAC6 Directive
- UBO Registry
- ESMA UCITS Consultation on Stress Tests
- ESMA UCITS Consultation on Performance Fees
- Loan Origination Funds
- AIFMD2 Developments
- ESG Developments
- Funds Rule Book
- Fund Documentation Template Lists
- Proposed Legislation on the Regulation of the Fund Administration Profession

It is also worth mentioning that the Committee extensively engaged with the discussions with respect to taxation proposals in the context of investment funds in collaboration with the other CIFA Committees. During the year under review, the Committee has identified certain areas for which further guidance may be required by market participants, such as fund governance, director and risk officer roles and responsibilities, delegation arrangements and factors to be considered, capital adequacy measurement for managers, professional indemnity insurance arrangements including technology risks and business continuity plans, on which the Committee will work together with the Regulator where relevant to develop more practical guidance for the benefit of our members and industry participants as a whole. At the same time, the Committee will continue to closely monitor and evaluate market and regulatory developments in the areas of ethics and risk management, in order to suggest to the Board of the Association, recommendations for possible enhancements.

The CIFA Statistics and Fund Research Committee was established with the goal of collecting and analysing data on local UCITS and non-UCITS funds and providing support and insights to various organisations in Europe and beyond. Since its establishment, the Committee has made significant progress in meeting its objectives. Specifically, it has established smooth and efficient channels of communication with regulatory authorities, such as the Cyprus Securities and Exchange Commission and the Central Bank of Cyprus. Furthermore, the Committee diligently collected and analysed data on local funds and responded to ad-hoc requests for statistical data. The Committee successfully delivered the 2022 version of the EFAMA factbook representing Cyprus and providing important insights on funds, regulatory developments in Cyprus regarding UCITS, AIFMD, MiFID II, CSDR, EMIR, sustainable finance and the Anti-Money Laundering Directive among others. In addition, the Committee reported developments in tax legislation and financial education.

Following the EFAMA yearly factbook, the Committee delivered the 2022 country report to IIFA, which CIFA has been a member of since 2019, in addition to other information and statistical analysis about the fund industry. In 2022, the Committee continued to provide monthly and quarterly statistics on Cyprus authorised and registered funds to EFAMA, as well as other statistical analyses and reports as requested by EFAMA and IIFA. These reports were focused on net sales, net assets, assets under management and number of funds.

Looking ahead, the Committee expects to continue its work in providing support and insights to the Cyprus funds industry, while also expanding its membership to meet data gathering and reporting requirements. Specifically, the Committee will continue to:

- Collect and analyse data on local funds
- Provide support and insights to various organisations
- Prepare monthly and ad-hoc statistics for submission to EFAMA and IIFA
- Prepare the annual country reports for EFAMA and IIFA

By providing these valuable services, the Committee is playing an important role in supporting the growth and development of the Cyprus funds industry.

Statistics and Fund Research Committee

Chairperson:
George Martides

Tax Committee

Chairperson:
Neofytos Neofytou

The Chairman of the Tax Committee together with the President of CIFA subsequently attended meetings with the Tax Department and CIFA members to discuss and come to a common understanding on the necessary changes that should be considered within the Cyprus tax legislation with regards to the fund industry in Cyprus. At the beginning of 2022, the Tax Committee conducted research and analysis on various tax-related issues, including international tax developments, tax planning strategies, and potential tax reforms within the fund sector in Cyprus. The Committee provided various recommendations to the government on tax policies, aiming to improve the efficiency and effectiveness of the tax system and to improve the attractiveness and competitiveness of Cyprus as an international fund jurisdiction.

Training and Human Resource Committee

Chairperson:
Emilios Tannousis

The Training and Human Resource Committee aims to provide industry training and relevant Continuous Professional Development seminars to CIFA members. To this end, in 2022 the Committee has been updated with new members and conveyed a series of meetings to set the plan of action, in proposing organising one training per quarter for CIFA members on subject matters that will be suggested by the Committee Members, the other Committees, and the Board of CIFA. The Training and HR Committee has proposed to the Board and approved the following subject matters.

Training and Continuous Professional Development Plan

- ESG – decarbonisation funds/sustainable finance/greenwashing/SFDR Disclosures (in collaboration with CFA Society)
- Ethics and integrity in the funds industry
- Regulatory update – Regulator's initiative for funds sector compared to other jurisdictions
- UBO registry & reporting requirements for funds
- Crypto & the fund administration function as well as the role of the depository
- AIFLNP structures & tax matters

Code of Practice & Ethical Standards

The Committee will initiate the drafting of the CIFA Code of Practice & Ethical Standards in accordance with the European and international standards. The Committee will work closely with the management and the Board of CIFA for the drafting of the Code.

Memorandum of Understanding (MOU) between CIFA and other Academic, Professional and Industry Bodies

The Chartered Institute for Securities and Investment (CISI) and the Chartered Financial Analyst (CFA Institute) are valuable partners of CIFA in demonstrating a high level of competence within the fund industry locally, while benchmarking competency to its peers internationally. In 2022, CIFA signed an MOU with the University of Nicosia and will proceed with additional MOUs with accredited academic and professional bodies so as to co-organise joint events on various subjects and collaborate with these institutions on research and data collection of the market participants in the funds industry.

Financial Literacy

The Committee is working with CIFA to become a vital part of the financial literacy initiative in coordination with the CIFA Board. Focus should be given on financial literacy within the investment funds area.

Survey for CIFA Members

The Committee has initiated a survey in order for CIFA to design a study analysing the human capital of the funds services industry in Cyprus, beginning with CIFA members and their job role/capacity etc. Data collected will then be articulated into a database where results will be filtered, outcomes will be analysed, and further actions may be decided.

Newsletter

The Committee has an active role in the CIFA Quarterly Newsletter, with committee members contributing knowledge on funds related issues from the human capital and educational/training angle.

The main target of the UCITS Committee is to increase awareness in the local market and make the product known and familiar to the investors. UCITS (Undertakings for Collective Investment in Transferable Securities) is relatively new to the market and more time and publicity is needed.

UCITS is a regulatory framework established by the European Union (EU) for the management and sale of mutual funds. It provides a harmonised set of rules that govern the organisation, management, and marketing of investment funds across EU member states. The main objective of UCITS is to ensure a high level of investor protection and facilitate the cross-border distribution of investment funds within the EU.

UCITS committee is scheduled to meet every second month. During the year 2022, the Committee discussed issues around:

- The new UBO registry
- General topics affecting the market

UCITS Committee

Chairperson:
Alexios Kartalls

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Ledra Management Ltd +357 22 400 500 www.ledramanagement.net	MILEVACO FUND LTD +357 22 777 337 www.gmmfunds.com	Prospergate Fund VCIC AIFLNP +357 25 581 005 www.prospergate.com	SCSS Fund Management Ltd +357 22 376 006 www.scssfunds.com	Tornaritis Law LLC +357 22 456 056 www.tornaritislaw.com	WIF AIFLNP V.C.I.C. LTD +357 25 114 000 www.wifitd.com
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Report and Financial Statements

for the year ended 31 December 2021

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Andreas Yiasemides - President
Panikos Teklos - Vice President
Spyros Vassiliou - Vice President
Maria Panayiotou - Member - Secretary
Constantinos Papanastasiou - Treasurer
Christoforos Antoniadis - Member
Andreas Athinodorou - Member
Charalambos Fokas - Member
Demetris Taxitaris - Member
Antonis Antoniou - Member
Christos Kalogeris - Member
Antonis Rouvas - Member
Charalambos Prountzos - Member
Elia Nicolaou - Member
Marinos Christodoulides - Member
Marios Tannousis - Member
Omiros Nishiotis - Member

Independent Auditors

Joannides + Co Limited
Certified Public Accountants and Registered Auditors
Agiou Prokopiou 13, Egkomi, 2406, Nicosia, Cyprus

Registered address

9 Makarios III Avenue, Severis Building, 4th floor
Nicosia 1065 - Cyprus

Bankers

Bank of Cyprus Public Company Ltd
Hellenic Bank Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Cyprus Investment Funds Association (CIFA) (the "Association") presents to the members its Report and audited financial statements of the Association for the year ended 31 December 2021.

Principal activities and nature of operations of the Association

The principal activities of the Association, which are unchanged from last year, are to act as the single unified representative body of the industry in Cyprus, representing the sector in economic missions to promote and support the development of the Cyprus Investment Fund industry, provide support to its members in knowledge building through regular educational programs and encourage maintenance of industry standards and professionalism.

Results

The Association's results for the year are set out on page 6.

Board of Directors

The members of the Association's Board of Directors as at 31 December 2021 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2021. The Electoral General Meeting is held every three years.

Independent Auditors

The Independent Auditors, Joannides + Co Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Maria Panayiotou
Secretary

Nicosia, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Cyprus Investment Funds Association (CIFA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Cyprus Investment Funds Association (CIFA) (the "Association"), which are presented in pages 6 to 18 and comprise the statement of financial position as at 31 December 2021, the statements of income and expenses, changes in fund account and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Articles of Association of the Association, the requirements of the Societies and Institutions and Other Related Matters Law of 2017, and Articles of Association of the Association.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Articles of Association of the Association, the Associations and Foundations and Other Relevant Issues Law of 2017, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- » Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- » Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report, including the opinion, has been prepared for and only for the Association's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Davniia Ioannidou

Certified Public Accountant and Registered Auditor
for and on behalf of

Joannides + Co Limited

Certified Public Accountants and Registered Auditors

Nicosia, 2023

STATEMENT OF INCOME AND EXPENSES

	2021 €	2020 €
INCOME		
Subscriptions and registration fees	68.750	79.950
Total revenue	68.750	79.950
EXPENSES		
Website expenses	8.336	416
Sundry expenses	350	350
Subscriptions and contributions	12.401	12.131
Advertising expenses	11.883	2.142
Auditors' remuneration for the statutory audit of annual accounts	1.190	1.190
Accounting fees	4.284	4.284
Consultancy fees	14.280	2.000
Hospitality and event expenses	5.629	5.711
Bank charges	400	360
Net impairment losses on financial assets	(8.600)	6.800
Total expenses	50.153	35.384
Surplus for the year	18.597	44.566

The notes on pages 48 to 53 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2021 €	2020 €
ASSETS			
Current assets			
Trade and other receivables	8	38.400	23.856
Cash and cash equivalents	9	181.696	151.989
		220.096	175.845
Total assets		220.096	175.845
SURPLUS AND LIABILITIES			
Accumulated surplus		185.931	167.334
Total surplus		185.931	167.334
Current liabilities			
Payables	10	34.165	8.511
Total liabilities		34.165	8.511
Total surplus and liabilities		220.096	175.845

On 2023 the Board of Directors authorised these financial statements for issue.

Andreas Yiasemides
President

Maria Panayiotou
Secretary

The notes on pages 48 to 53 form an integral part of these financial statements.

STATEMENT OF FUND ACCOUNT

	Surplus €	Total €
Balance at 1 January 2020	122.768	122.768
Surplus for the year	44.566	44.566
Balance at 31 December 2020/ 1 January 2021	167.334	167.334
Surplus for the year	18.597	18.597
Balance at 31 December 2021	185.931	185.931

The notes on pages 48 to 53 form an integral part of these financial statements.

CASH FLOW STATEMENT

	Note	2021 €	2020 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		18.597	44.566
Adjustments for:			
(Reversal of impairment)/impairment charge of trade receivables	8	(8.600)	6.800
		9.997	51.366
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(5.944)	4.939
Increase/(decrease) in payables		25.654	(12.322)
Cash generated from operations		29.707	43.983
Net Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		151.989	108.006
Cash and cash equivalents at end of the year	9	181.696	151.989

The notes on pages 48 to 53 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation and principal activities

Country of Incorporation

The Cyprus Investment Funds Association (CIFA) (the "Association") was incorporated in Cyprus on 25 April 2013 under the provisions of the Associations and Foundations and Other Relevant Issues Law of 2017, with the purpose to act as a single unified representative body of the industry in Cyprus. Its registered office is at 9 Makarios III Avenue, Severis Building, 4th floor, Nicosia, 1065, Cyprus.

Principal activities

The principal activities of the Association, which are unchanged from last year, are to act as the single unified representative body of the industry in Cyprus, representing the sector in economic missions to promote and support the development of the Cyprus Investment Fund industry, provide support to its members in knowledge building through regular educational programs and encourage maintenance of industry standards and professionalism.

Operating Environment of the Association

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate.

The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

Industries such as tourism, hospitality and entertainment have been directly disrupted significantly by these measures. Other industries such as manufacturing and financial services have also been indirectly affected.

In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational disruption for the Association.

In parallel, governments, including the Republic of Cyprus, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Association has not applied for such government assistance. The details of all the arrangements that might be available to the Association and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty.

The Association is continuing to assess the implications for its business when these arrangements are no longer available and has reflected their impact in its stress-scenarios for going concern purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention.

3. Adoption of new or revised standards and interpretations

During the current year the Association adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. This adoption did not have a material effect on the accounting policies of the Association.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated. The income of the Association is recognised as follows:

Subscription Income

Revenue comprises the invoiced amount for subscriptions, net of rebate and discounts, recognised on an accrual basis.

Deferred Income

Deferred income represents income receipts which relate to future periods.

Financial assets

Financial assets - Classification

The Association classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Association's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Association may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Association commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Association has transferred substantially all the risks and rewards of ownership.

4. Significant accounting policies (continued)**Financial assets (continued)****Financial assets - Measurement**

At initial recognition, the Association measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - Impairment - credit loss allowance for ECL

The Association assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost. The Association measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income and expenses within "net impairment losses on financial assets". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables the Association applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Association applies general approach - three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Association identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Association determines when a SICR has occurred. If the Association determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Association's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Association exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event.

The Association may write-off financial assets that are still subject to enforcement activity when the Association seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Association holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Association applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Association, and a failure to make contractual payments for a period of greater than 365 days past due.

Other payables

Payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Association.

6. Financial risk management**Financial risk factors**

The Association is exposed to credit risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Association to manage these risks are discussed below:

6.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents and trade receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Association has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

6. Financial risk management (continued)**6.1 Credit risk (continued)****(i) Risk management (continued)**

If there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

These policies enable the Association to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Association has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- cash and cash equivalents

The Association's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Trade receivables

The Association applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Association defines default as a situation when the debtor is more than 365 days past due on its contractual payments.

The loss allowances for trade receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2021	2020
	€	€
Balance at 1 January	17.000	10.200
(Decrease) / Increase in loss allowance recognised in profit or loss during the year	(8.600)	6.800
Balance at 31 December	8.400	7.000

Cash and cash equivalents

The Association assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

The gross carrying amounts below represent the Association's maximum exposure to credit risk on these assets as at 31 December 2021 and 31 December 2020:

Association internal credit rating	2021	2020
	€	€
Underperforming	181.696	151.989
Total	181.696	151.989

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

(iii) Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

Impairment losses	2021	2020
	€	€
Impairment charge - trade receivables	-	(6.800)
Reversal of impairment - trade receivables	8.600	-
Net impairment profit/(loss) on financial assets	8.600	(6.800)

6.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Association has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Association's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Calculation of loss allowance

When measuring expected credit losses the Association uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- Deferred revenue

Deferred income is revenue from subscription and registration fees that have been received by the Association during the year in relation to income of the next year. Therefore, deferred income has been recognised as a liability in the statement of financial position and will be de-recognised during the year the income relates to.

8. Trade and other receivables

	2021	2020
	€	€
Trade receivables	37.700	40.300
Less: credit loss on trade receivables	(8.400)	(17.000)
Trade receivables - net	29.300	23.300
Deposits and prepayments	840	556
Accrued income	3.500	-
Deferred expenses	4.760	-
	38.400	23.856

Trade receivables represent amounts due from members for subscription and registration fees which are due for receipt on demand.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Association to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the financial statements.

9. Cash and cash equivalents

Cash balances are analysed as follows:

	2021	2020
	€	€
Current accounts	181.696	151.989
	181.696	151.989

The exposure of the Association to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

10. Payables

	2021	2020
	€	€
Accruals	6.664	6.955
Other creditors	21.451	1.556
Deferred income	6.050	-
	34.165	8.511

The fair values of payables due within one year approximate to their carrying amounts as presented above.

11. Contingent liabilities

The Association had no contingent liabilities as at 31 December 2021.

12. Commitments

The Association had no capital or other commitments as at 31 December 2021.

13. Events after the reporting period

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Association largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

The Association has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Association. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Association and has concluded that there is no significant impact in the Association's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for impairment of financial assets in case the crisis becomes prolonged.

Except from the matters mentioned above, there were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 42 to 43

