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Is Cyprus an attractive location for an HNWI to set up his/her FO? What are the advantages of Cyprus?

Cyprus is not a typical jurisdiction for setting up a Family Office like Switzerland, Monaco, the UK, Luxembourg, Dubai or Singapore. However, Cyprus has found its own niche for setting up FOs, especially for wealthy families from non-EU countries. Cyprus has the following advantages: (i) It is an EU jurisdiction; (ii) Its legislation and court system are based on English law; (iii) It offers a favourable tax regime for non-doms, including a 60-day tax residency; (iv) It has favourable immigration legislation, allowing qualified foreign personnel to be brought to Cyprus; and (v) Overall, it is a much cheaper jurisdiction for the set-up and operation of an FO compared to other well-established FO jurisdictions.

At the same time, Cyprus has significant disadvantages, which limit growth in this sector: (i) It has a rather small banking and financial sector. In particular, there are no large global banks present in Cyprus; (ii) There is no specific legislation regulating family offices in Cyprus. For example, Luxembourg has specific legislation, which makes it easier to set up and operate a Family Office; (iii) There is no legislation for private foundations in Cyprus. Private foundations are widely used by HNWIs as an alternative to trusts. Malta has had such legislation for many years now; (iv) An increase in criminal activity and the high influx of refugees to Cyprus in recent years has undermined the image of Cyprus as a safe country for wealthy families; and (v) There still exists a quite negative image of Cyprus globally as an “offshore” jurisdiction. While Cyprus has made a huge progress in strengthening its AML legislation and practices in recent years, it takes much longer to change perceptions.

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Do you believe that some key functions should be outsourced?

Key functions such as investment management and trading in financial instruments should be kept in-house. On the other hand, ancillary functions such as back office, accounting, tax and legal functions can be outsourced.

What can a Family Office do to earn a family's trust?

Provide transparency in terms of costs, full compliance with all applicable regulations, 24/7 support, the ability to find solutions to complex issues and exceed the expectations of family members on the FO's performance.

How has COVID19 affected your work and how well have you coped with it?

So far, our firm has managed to cope pretty well with COVID-19. This is due to our strong risk management systems, a lean cost structure, a stable client base and flexible distance working arrangements for employees.

What challenges has your organisation managed to overcome? What remains to be done?

The biggest challenge was recruiting the right people to take on the main functions in the firm. We successfully managed to do it by finding local employees and bringing in additional highly skilled talent from abroad.

Can Cyprus become a jurisdiction of services to Private Clients?

There is a niche to serve wealthy families, especially those coming from non-EU countries (Middle East, China, Russia) and the UK (post-Brexit). Cyprus can leverage its advantages to service these families. In addition, Cyprus' regulators and financial institutions should work really hard to sort out its disadvantages and shortcomings to further improve its attractiveness.