



# National Investment Fund



Republic of Cyprus  
Ministry of Finance  
National Investment Fund

Associate Member

## Introduction

The Cyprus National Investment Fund (NIF) Law was prepared with technical assistance by the International Monetary Fund (IMF) in consultation with a Project Team, encompassing competent Cyprus Authorities headed by the Ministry of Finance of the Republic of Cyprus.

The organizational design, governance and investment policies of the Cyprus Sovereign Wealth Fund (SWF) / NIF is based on the best practices incorporated in the Santiago Principles (SPs), which set out common standards regarding transparency, accountability, independence and governance.

### **Establishment and ownership of NIF:**

As per Section 74 (1) of the Fiscal Responsibility and Budget Systems Law (FRBSL), “A National Investment Fund is established, the rightful owner of which is the Republic of Cyprus”. There is a cross-reference regarding the establishment and ownership of the Fund in the NIF Law Section 4(1).

### **NIF legal status**

The NIF is established as a pool of assets owned by the State / the Republic of Cyprus, without a separate legal identity.

### **Governance**

The NIF is to be operationally managed by a statutory management agency, the Cyprus Investment Management Corporation (CIMC). The CIMC is established by NIF Law Section 9 and will be the guardian of the Fund’s assets. The Council of Ministers (CoM) appoints the members of the Board of Directors (BoD) of the CIMC, upon a proposal of the Minister of Finance (MoF) in accordance with Section 13(1) of the NIF Law.

### **NIF objectives**

Section 4(2c) of the NIF Law provides for the investment of surpluses in international financial assets with sufficient dispersion to ensure future generations or other long- term goals. Hence, the Cyprus NIF is a saving type of SWF.

### **Investment of the Fund**

According to the general principles governing Fund investments, Section 29 of the NIF Law specifies that the Fund shall be invested in a diversified manner with a view to maximizing risk-adjusted financial returns and in a manner consistent with the portfolio management by a prudent institutional investor. The Fund is precluded from investing in securities issued by a Cypriot issuer (including the State) or in real estate located in Cyprus.

### **Accountability**

There is a clear accountability framework for the Fund's operations as defined in the NIF law (as per SP 10). Moreover, there is a clear and effective division of roles and responsibilities between the political authorities and the CIMC (investment manager), facilitating accountability and operational independence in the management of the NIF to pursue its objectives (as per SP 6). According to Section 35 of the NIF Law the CIMC prepares the financial statements of the Fund and of the Corporation itself for each fiscal year, in accordance with internationally recognized accounting standards.

### **Reporting**

According to Section 37 of the NIF Law, (based on SP 11), the Corporation shall prepare an annual report of the Fund and submit it to the Minister of Finance, who, after informing the Council of Ministers, submits it to

the House of Representatives, accompanied by any comments of the Council of Ministers. Following the submission of the annual report to the House of Representatives, the CIMC publishes the annual report in the Official Gazette of the Republic.

## **Conclusion**

The NIF law encompasses a clear long-term Fund objective, a strong reporting system, appropriate coordination among governance structures and transparent rules and procedures on funding and withdrawal. Surplus hydrocarbon savings are to be invested abroad with a focus on the non-hydrocarbon economy and its “insulation” from volatile resource revenues. In this respect, the NIF law specifies a comprehensive investment policy based on due care, skill, prudence, and diligence in investment practices for the management of the nation’s wealth.

With the enactment of the NIF Law on 1.3.2019, the Republic of Cyprus establishes a robust, sound and transparent SWF legal framework for the management of future hydrocarbon revenues. This reflects fully the voluntary framework of the Santiago Principles which promote transparency, good governance, accountability, prudent investment practices and the independence of SWFs.

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