

Cyprus International Trust – Sharia Law

Structures which include companies that should adhere to Sharia Law must satisfy the below Sharia basic principles. If the said structures include companies that do not meet these principles (such as almost all Western companies), then such structures are divided into sections of companies that adhere to Sharia Law vs those not adhering to Sharia Law. The latter are usually put under discretionary or purpose trusts, the beneficiary(ies) of which is not a company which is required to adhere to Sharia Law.

SHARIA'S BASIC PRINCIPLES

- Prohibition of Riba (most usually described as usury or interest)
- Follow the Risk and profit sharing or loss bearing philosophy
- Uncertainties or ambiguities (Gharar) are forbidden
- Right to pursue personal economic wellbeing but unethical transactions and other socially detrimental activities are forbidden
- Fairness
- The following Financing Methods are the most commonly used contracts in Islamic Finance, which comply with Sharia principles:
 - Bai muajjal (Credit Sales)
 - Ijara (Leasing)
 - Murabahah (Cost Plus sales)
 - Musharakah (Joint Venture)
 - Mudarabah (Profit Sharing)

CYPRUS INTERNATIONAL TRUSTS

Cyprus International Trust (CIT) is a well-established, flexible and modern regime offering attractive benefits and opportunities for high net-worth individuals and large business corporations.

Legal framework

- essentially based on the English system;
- it is a combination of the English Equity and Statue Law;
- regulated by the International Trusts Law 69(1)/1992 as amended by Law 20(1)/2012

What are the benefits of a Trust?

- Orphan SPV structuring
- Protection from Foreign Judicial Claims
- Significant controls vested in the Settlor/Protector
- There may be more than one beneficiaries who can be changed at the discretion of the Settlor/Protector;
- Asset protection in the event of settlor's bankruptcy or liquidation and foreign judicial claims
- Beneficial tax regime. No capital gains tax for real estate not located in Cyprus. Income and profits earned abroad are tax exempt.

What are requirements for a valid CIT:

- The Settlor can be either a natural or legal person but shall not be a resident of Cyprus in the year preceding the year of the establishment of CIT.
- The Beneficiary can be either a natural or legal person but shall not be a resident of Cyprus in the year preceding the year of the establishment of CIT.
- The Trust property can include all kinds of assets situated in Cyprus or anywhere in the world.
- At least one of the Trustees must be resident of Cyprus during the whole duration of the Trust.

PERMISSIBLE TRANSACTIONS BETWEEN COMPANIES OF THE TWO OR MORE SECTIONS OF THE STRUCTURE

- Ship leasing
- Capital Investments
- IP leases

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