

Interview with Leandros Papaphilippou, Senior and Managing Partner, L Papaphilippou & Co, Cyprus



BF: How would you assess Cyprus's economic resilience? How has the country withstood the different challenges from the war in Ukraine and the shake-up of the value chains through high energy prices and general inflation?

Leandros Papaphilippou: There has been a substantial inflow of foreign investment in real estate and significant investment in major Cypriot companies including banks, as well as in the education and medical sectors. There has been a lot of interest from companies in the high-tech sector moving from other countries through the Cyprus Business Facilitation Unit, which expedites the process of setting up, obtaining permanent residency, working permits and so on, significantly aiding the establishment in Cyprus.

BF: Cyprus is seen as a favorable destination for US investment. It is ranked 18th in the world at attracting FDI according to the seventh edition of FDI Intelligence's Greenfield FDI Performance Index 2021, up 50 places compared to 2020. What kind of mechanism exists to protect investors and what makes it an attractive destination and secure destination for FDI?

Leandros Papaphilippou: Cyprus has not yet implemented the legislation on FDI screening but parliament should enact soon the legal framework for safeguarding, monitoring and assessing FDI in a manner characterized by transparency and compliance with primary EU law, including the EU FDIS Regulation.

This will also boost investor confidence in the Cypriot legal system and the very well supported, audit and accounting professionals. In addition, in the real estate field is a new law which facilitates the process relating to the granting of permits, licenses and any special approvals needed for large real estate projects. Usually, to get the planning permit you have to find the applications and wait upto a year. Under the remit of this new legislation, there is going to be a fast framework to expedite the application process. You will not have to wait your turn and if it meets the criteria, there will be an authority that will fast track the processes from all the various departments and decision making at one level.

BF: From a tax and legal regime perspective, how competitive is Cyprus compared to some of its EU counterparts? What are some of the attractive tax incentives or tax system that are worth highlighting for investors?

Leandros Papaphilippou: Our legal tax system provides very strong stability. It is based on the premises of the English legal system and common law, which is a very familiar setup throughout the global banking sector. It has been properly harmonized with EU directives. So, it is modern, but at the same time it maintains the flexibility and the certainty of decision making and the law process. It has been an advantage, especially for some investors coming from the US who have found the system easier to understand and appreciate.

BF: What are some of the remaining bottlenecks or major reforms that are needed to facilitate doing business in Cyprus?

Leandros Papaphilippou: The most important thing is the clarity of the legal system. The bad thing about very small countries is that when someone at the ministry deals with, for example 10 applications for big companies setting up here, the resources are not readily available because there is a shortage of experienced personnel. They can't deal with all matters at the same time, while maintaining service to the locals.

The problem will be solved with the passing of the new legislation that will enable fast-tracking and examination of projects, investments and interest in investing in the country – not just as a foreign company moving to Cyprus, but

also as a foreign firm merging with Cypriot companies. There are big enough companies that could attract investment in themselves. This process will iron out any possible discrepancies that have occurred in the past.

BF: Where do you see the most traction now in terms of the economic sector? What are some of the main most attractive sectors for investors at present?

Leandros Papaphilippou: I would stick to the real estate. Cyprus has been through a very tough period of economic troubles that has been sorted. The banks managed to support themselves. This has created huge companies that are dealing with the sale of non-performing loans and this creates many opportunities to those who can identify them.

BF: L Papaphilippou & Co has grown in size and scope since it was established by your father in 1963. The firm has continually won awards for its legal practices and specializes in a large range of legal segments. Can you give our readers a brief history and some background about the firm? What have been some of the milestones and how does it position itself in Cyprus today?

Leandros Papaphilippou: We had our 60th Anniversary on July 5th. We are a firm with 40 lawyers which maintains a practice focused mostly on European, English and American clients. A lot of Cypriot firms have been engaged in the CIS/Russian sector which we have avoided, keeping a more Western approach in our clientele. We have very good litigation, trust and real estate teams.

BF: How would you say your firm differentiates itself from other local practices? In what specific legal areas does it excel?

Leandros Papaphilippou: Working with foreign investors is something that we are very good at, especially in complicated real estate ventures and in matters of hardcore litigation work.

BF: You've set up two desks at the firm – a platform for Chinese businesses and a platform for businesses in the CIS. How have these two platforms enhanced the quality of service and what kind of international work has the company recently won based on these two platforms?

Leandros Papaphilippou: After the annexation of Crimea and the war in Ukraine, we refrained from offering services to countries related to Russia and Belarus. We have maintained a good relationship with our Chinese clients. The biggest project currently taking place in Cyprus is an energy project that was won by a Chinese company for the construction of the natural gas station at Vasiliko and the conversion of a FSRU vessel in Shanghai. The project was funded by the EU along with Cyprus and it was worth around €400 million. Everybody is expecting its completion in the next year or so.

BF: *American investors are increasingly interested in Cyprus. There are lots of opportunities in the energy sector in particular. How is your firm readying to serve specific US investors?*

Leandros Papaphilippou: Our lawyer's network is one of the best legal networks in the US, that being State Capital Group. It's been voted for the last few years as the best network. There has been increasing interest from US clients who want to invest either in Cyprus directly or through Cyprus as a stepping stone to other regions nearby.

I think a lot more work will come to Cyprus as a lot more investment opportunities will appear. With the passing of the FDIS legislation, it will be easier for investors to participate in the opportunities the island has to offer within the remit of clearly defined and transparent parameters.

BF: *There has been a growing emphasis on transparency and compliance in the business world. Tell us a little about the key challenges that Cyprus still faces in upping its transparency index. What kind of work has this opened for legal practitioners like yourself?*

Leandros Papaphilippou: A lot has been done by the government, which has enacted legislation against practices which relate to corruption and enables people to have better access to justice and proper appreciation of the evolving status quo, and eventually proper compliance with rules and regulation in place.

BF: How would you rate Cyprus's training and education sector overall and especially in the legal field? What efforts is the firm making to support and upskill new trainees in the legal sector?

Leandros Papaphilippou: We try to hire many trainee advocates. They have to follow partners or other lawyers of the firm. We have our internal training program, and we have our mock trials and fun events as well.

The biggest advantage of working in Cyprus is that in excess of 75% of secondary education graduates go to university. You have a big pool of people to look for, so it is quite easy to find people who are qualified, willing, and able to participate in any challenge.

BF: What are some of your priorities for 2023 and 2024?

Leandros Papaphilippou: Our priority is growth. It's important to keep a sufficient level of service to clients. We rarely advertise: most of our clientele comes from recommendations from other clients. We work closely with firms from the EU and the UK.

Thanks to our close co-operation with said firms we have achieved a good understanding of the evolving legal landscape. There is nothing more pleasing for a lawyer to be recommended by an existing client and then they bring on a new client for us. This is very pleasing, indeed.

BF: What is your final message to the readers of USA Today?

Leandros Papaphilippou: Cyprus is an ideal place for new business. It should not just be seen as a small country, but as a nation with a robust regulatory environment that can be a base for headquartering and for investment.