



CRISIS CREATES OPPORTUNITIES:

New prospects in the financial services sector



Six months have passed since the tragic events of last March that rocked the Cyprus economy, and the country is still trying to regroup and understand the magnitude of the problem that is facing right now (and the future problems that will inevitably face in the future). Unemployment is rising at an alarming rate, especially for young people, and the recession is ongoing with no signs of any sort of growth. The services sector in Cyprus, so vital for the economy the last decade, is experiencing major problems with the loss of confidence from domestic and foreign investors. However, as in every crisis that happened in the past, new opportunities are always created and it's up to the people with an open mind and creative ideas to grab and take advantage of them.

Since I work in the area of Finance, naturally I can comment about new opportunities in this field. These are certainly not exhaustive and furthermore, it does not mean you cannot find such cases in other sectors of the economy as well. My first thought is that going forward, Cyprus will need **financial planners**. To my mind, one of the main problems that caused the crisis is that individuals, and even many institutions, did not have any sort of plan for their investments or their overall wealth. There was no proper diversification – individuals would either put their money in a bank deposit thinking that it is safe, or buy some real estate thinking that prices always rise. Unfortunately, the crisis proved them both wrong. Institutions (e.g. main banks) had invested massively in risky assets/projects (e.g. excessive exposure to Greek government bonds) without managing/hedging the risk causing them to inevitably collapse. People now in Cyprus are totally confused, do not trust the banks, thus withdrawing their deposits (whatever is left) from them, but have no idea of what to do (their money ends up either under the pillow, or they buy house vaults to keep it safe). Thus they need advice, and this is where financial planners could prove useful. A financial planner would provide assistance for cash flow, investment, retirement, tax, risk

management, and estate planning. I am positive that lots of individuals, institutions, or funds would welcome the help of experienced and specialised financial planners, given what has occurred to their investments and wealth recently.

My second thought is that Cyprus will need the establishment of **specialized funds**. This is essential as the biggest obstacle to kick-start the economy is the lack of funding. How will the government and institutions be able to fund the “new” economy of Cyprus? How will they be able to undertake the massive investments that are needed for the energy sector? How will the growing number of entrepreneurs be able to pursue their ideas? The banks will no longer be able to lend as they used to (at least, not for the near future) and thus the government, corporations and individuals will need alternative sources of funding. That could come from funds that can be set up, either in the form of UCITS (Undertakings for Collective Investment in Transferable Securities) or ICIS (International Collective Investment Schemes), or some other structure that will pull money mainly from foreign (but even some local) investors that have an interest in such projects. These funds could be registered in Cyprus, or be part of an umbrella of funds that originates in some other jurisdiction (e.g. Luxemburg). We can certainly offer administration of these funds from Cyprus, and even fund management in some cases. If the fund industry picks up in Cyprus, it will have several multiple effects for the economy.

Another approach to receive the necessary finance is through the European Union structural funds for both capital-intensive government projects and SME financing.

Unfortunately, up to now, Cypriots are not efficient in attracting such funds and need to improve on this front. Given the current situation, these EU funds can prove extremely useful.

My third and final thought is that new opportunities could arise by offering **online financial services**. Such initiatives could offer better, faster, and cheaper service to clients, rather than the more traditional methods. They could be in the area of banking,

insurance, investments (e.g. discount brokerage firms), or for funding projects/business initiatives/start-ups.

Every crisis comes with new opportunities. This has always been the case. I have outlined a few thoughts related to the financial services sector in Cyprus. I note again that this list is not exhaustive and I am only focusing on only one sector of the economy. I am positive that there are more opportunities in other sectors as well. It's up to individuals with creative minds to realise and take advantage of them.

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