



COMPLIANCE CIRCULAR

11/2022 [CC 11_2022]

To:

**ALL FIRMS OF THE INSTITUTE
ALL COMPLIANCE OFFICERS**

Date:

19 April 2022

Subject:

**Clarifications on derogations and
common questions in relation to EU
Sanctions against Russia and Belarus**

The Institute of Certified Public Accountants of Cyprus with the current Circular presents its members with a number of clarifications on derogations and common questions in relation to the EU Sanctions imposed against Russia and Belarus. The clarifications have been obtained through the Q&A provided by the European Commission as well as responses obtained through the specialized working group established by the government to deal with the coordination and the process of implementation of the financial sanctions.

The questions are listed below with the answers as provided by the working group:

Q1: Based on European Commission Opinion of 29/8/2019, the provision of services to sanctioned persons/entities could be allowed provided that the service is strictly limited to what is absolutely necessary for the person to continue to exist and strictly limited to essential activities without which the person would not be able to function legally. Could it be inferred that the **provision of audit services** to sanctioned persons is allowed, especially considering the fact that the Cyprus's Companies Law does not provide for any exemptions to the statutory audit, requiring that all companies, irrespective of size, undergo a statutory audit?

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A1: Yes, given the fact that the audit of companies is an obligation under the Companies Law then it is safe to conclude that this is an essential service. Please have in mind that derogations are given under the Council Regulation 269/2014.

Q2: Do the prohibitions in relation to article 5m of Council Regulation (EU) 2022/576 extend to the provision of ASP services to companies/legal persons or they concern solely provision of services to trust and other similar legal arrangements?

A2: They concern solely provision of services to trust and other similar legal arrangements.

Q3. What does Russian national or person residing in Russia mean? Are Russian nationals residing in countries other than EU Member States, e.g., UAE, UK, USA captured i.e., prohibited?

A3. The regulation does not include a reference other than the exemption of “national of a Member State or a natural person having a temporary or permanent residence permit in a Member State” hence other than EU Member States are captured.

Q4. Are persons residing in Russia, but are not Russian nationals captured?

A4. Yes, the Regulation provides for “or natural persons residing in Russia”.

Q5. How are persons with dual citizenship, i.e., Russian and either an EU or non-EU to be treated? Are they captured by virtue of their Russian citizenship alone, irrespective of any rights violations based on their other citizenship?

A5. It depends whether the second citizenship is from an EU Member State. In such a case, derogations would apply.

It is noted further that the European Commission has issued a number of Q&A in relation to all packages issued to date and can be accessed through the following [link](#).



Listed below are the Q&A's most relevant to questions received by ICPAC members:

Clarification on the term “Russian nationals”: [Frequently asked questions on Article 5b of Council Regulation \(EU\) No 833-2014 on deposits acceptance adopted following Russia's military aggression against Ukraine](#)

Clarification on “Transferable Securities”: [Frequently asked questions on the sale of securities denominated in the currency of a Member State following sanctions adopted in view of Russia's military aggression against Ukraine](#)

Finally, you are informed of the newest [announcement](#) of the Ministry of Finance issued on the 18th of April 2022 informing the public of its plan to contact the European Commission for clarifications in relation to the EU sanctions imposed with regards to trusts.

ICPAC urges its Members to fully follow the provisions of article 5m of the [\(EU\) Regulation 2022/576 amending \(EU\) Regulation 833/2014](#) in anticipation of the response of the Ministry of Finance, bearing in mind the deadline of the 10th of May 2022.