



General Circular: **7/20 [GC7_2020]**

To: **ALL MEMBERS AND FIRMS OF THE
INSTITUTE**

Date: **26 March 2020**

Subject: **Compliance in a Pandemic Era**

Like all other industries, so is the accounting/audit and ASP sector severely impacted from the Coronavirus epidemic. ICPAC professionals are called to be the balancing act between their clients, the public services and the obligations changing on a daily basis due to the volatile environment, while at the same time, dealing with the coordination of safety staff working from the office and employees working from home.

Periods of extreme external circumstances such as these, which result into a significant reduction in business and revenue and key personnel being under a lot of pressure, or even away, may give rise to activity out of the norm and in some cases could even urge businesses to become involved in unlawful activity to survive. Furthermore, this is a great opportunity for money launderers and terrorist financiers to take advantage of limited or decreased resources and proceed with their 'business' uninterrupted. It is therefore urgent for all firms to be alert of threats that may be knocking on their door.

Through this circular, ICPAC would like to remind all its Members and Firms of red flags and risk factors that may arise during this period and urge them to be alert and take action when needed:

1. Change in business activity

In an effort to survive the financial impact on their business, clients may be tempted to change or adjust their business activity. This might include changing the business model, the key personnel, the type of business activities, locations etc. Firms are required to monitor their client's business, identify any changes, update the economic profile of the client and assess whether there is business/economic rationale to the change. Updates of the clients' risk assessment may be required, as well as adjustments to the adopted CDD procedures.

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2. Volume of business activity

The volume of activity of some clients is inadvertently bound to be reduced or increased accordingly by the effects of the pandemic (limitation of market due to the quarantine, tendency to overspend on specific items etc). Consequently, firms should establish an expectation of their clients' businesses and monitoring the volume of activity accordingly. Should there be deviation from expectation, then additional work is required to be done, to obtain explanations, document them in the clients' files and assess whether the changes are reasonable.

3. Change in clients' behaviour

Some clients may take advantage of the lack of available staff at your firm or at the banking institutions and may demonstrate an inexplicable or unexpected urgency to process transactions, or give instructions that differ from the original instructions, such as changing the banking institution, the persons authorising transactions, contact details of authorised persons etc. You should have sufficient controls in place to verify any changes in instructions and assess the urgency of transactions.

4. New non-face-to-face clients

The firms may be approached by a surge of new clients. This period favours personal containment and a number of restrictions and as a result, money launderers and terrorist financiers who tend to avoid personal contact when performing their activities will possibly try to approach professionals and take advantage of the current circumstances. Make sure that before the commencement of a business relationship, the clients and their business is legitimate, enhance the measures of verification and background checking and obtain a reasonable amount of corroborative evidence to ensure that the client is who he/she claims to be.

The above constitutes a non-exhaustive list of factors that may act as red flags. In general, staff needs to be alerted and guided on what additional risk mitigating measures need to be in place during this period.

Overall, firms should apply the following in the daily application of their work:

For existing clients

- Speak with your clients and establish an expectation of the impact of the pandemic for the business of your clients and inform the working teams and discuss any concerns/considerations.
- Inform your clients of the new working plan of the firm and inform them of any changes in the policies and procedures that your staff will follow.
- Increase transaction monitoring and be vigilant to changes in business activity and control/ownership of clients.
- Update the economic profile of clients exhibiting changes from their normal activity/since the last updating exercise.
- Verify any changes in original or normal instructions of the client.

For new clients

- Perform the necessary background checks, verify the legitimacy of their business and veracity of documents provided and make sure they are comfortable that the client is who he/she claims to be. Please be reminded that ICPAC has an agreement through its cooperation with Infocredit and has obtained special prices for all its Members for accessing the WorldCompliance online screening tool. For details follow the [link](#) to access the announcement and find the necessary details.
- Make sure that a risk assessment is properly implemented, and client due diligence procedures adopted are sufficient and proportionate to the risk classification.
- Escalate approval of new client relationship where risk is heightened.

General actions

- Use where possible online background screening tools, sanction lists and search the internet daily for new information.
- Be sceptical and critical of available information as there is an increasing trend for fake news.
- Avoid using social media to provide or accept instructions to give access to sensitive information.
- Enforce enhanced procedures and risk mitigating controls where needed.
- Assess the validity of any changes and transactions and consider whether they are suspicious.
- Keep an open communication line with the Compliance Officer of the firm, and in the eventuality of a suspicious transaction or behaviour of the client, proceed to file an STR or a SAR accordingly to MOKAS and be careful not to alert the client of this to avoid tipping-off.

ICPAC would like to remind its Members that it is available to provide any assistance and support required by contacting the Monitoring and Compliance Department.

Useful Guidance Notes and circulars issued by ICPAC

Topic	Date	Circular Links
EU non-cooperative taxation jurisdictions	18/10/2019	GC 22/2019
Money Laundering Compliance Checklist	16/09/2019	GC 20/2019
Sanctions and Restrictive measures	20/08/2019	GC 18/2019
Guidance papers on Risk Based Approach issued by the FATF	15/07/2019	GC 16/2019
Fake News	26/06/2019	GC 15/2019
Suggested Practice Guide for Administration Service Providers	13/05/2019	GC 10/2019
Guidance paper on the Risk Based Approach (RBA)	11/03/2019	GC 6/2019
Guidance notes on Suspicious Transactions/Activities	21/10/2018	GC 18/2018
Guidance on establishing Source of Wealth and Source of Funds	12/02/2018	GC 4/2018
Practice Guide on Sanctions/Restrictive Measures	06/06/2016	GE 8/2016