Frequently Asked Questions

Sanctions

The FAQ on AML/CFT & Sanctions is a dynamic document that is periodically updated by the ICPAC Monitoring & Compliance Team. Updates are based on questions received from ICPAC Members during support interactions and from participant inquiries raised in ICPAC seminars.

The information provided in this FAQ is intended for general informational purposes only and does not constitute legal or professional advice. While we strive to ensure that the information is accurate and up-to-date, regulations, laws, and procedures may change, and interpretations may vary depending on specific circumstances. For any legal, compliance, or regulatory concerns, it is strongly recommended that you consult with qualified legal or compliance professionals to ensure adherence to relevant laws and regulations.

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FAQs

Sanctions

1. **Q.: Do sanctions affect me if I don't have any Russian Clients?**
A.: Sanctions do not only target Russia. The EU alone has over 50 sanctions regimes currently in place, targeting a number of jurisdictions and covering a wide range of thematic restrictions, including sanctions against terrorism, proliferation financing, chemical weapons, dual-use goods, cyber-attacks and human rights. Also, sanctions do not only refer to the designated persons lists, but also include an extensive set of prohibitions incorporating sectoral sanctions, travel bans, military embargoes, import/export controls etc. All EU/UN sanctions regimes are directly applicable in the Republic of Cyprus and must be abided by all persons in its territory.

As such, even if your firm does not have any Russian clients, it may still have an exposure to sanctions by virtue of other client characteristics, jurisdictions of operations, transactional behavior etc. For example, you may have clients that deal with or trade in items that qualify as dual-use goods and hence import/export restrictions apply. You may have clients that have counterparties that are designated persons or that operate in industries captured by any sectoral sanctions or thematic restrictions.

The best way to identify whether your firm is affected by any sanctions regimes is to conduct a thorough firm-wide risk assessment that incorporates all sanctions regimes and applicable risk factors and then perform a comprehensive client risk assessment in order to identify all the sanctions risk applicable to a specific client. You should bear in mind that both risk assessments are a dynamic process and should be reviewed based on the results of the customer due diligence (CDD) measures. For example, during the initial risk assessment of a client, CDD measures did not reveal any sanctions risks associated with the counterparties of the client. Nonetheless, during the business relationship it is discovered that the client changed vendor, and the new vendor is located in a geographical area of proliferation concern. This triggering event should result in reassessing the sanctions risks of the client and adapting the CDD measures to respond to those risks.

2. **Q.: How can we mitigate the risks of auditing a Cyprus holding company that is not subject to sanctions, and whose BO is not a designated person, but has a counterparty designated under EU sanctions?**
A.: If the firm provides audit services only, it must ensure that the designated counterparty has not received, nor has the company made available, any funds or economic resources to the sanctioned entity. If it is discovered that funds or resources were made available, the audit firm has a legal obligation to report this to ICPAC under the Sanctions Directive and/or to the Police with a notification to ICPAC.

It is important to clarify that the term "counterparty" refers to vendors or entities involved in commercial agreements, not parent or subsidiary companies. If the designated counterparty is a parent or subsidiary company, Article 5n(7) of Regulation (EU) 833/2014 prohibits the provision of services for the benefit of those companies, including activities such as consolidation.

3. **Q.: Does a Cyprus-registered company maintaining a bank deposit account with a designated Russian bank violate any sanctions regulations? If so, what restrictions apply, and is the company obligated to close the account, or report the fact to any authority?**
   A.: If the bank is designated under Regulation (EU) 269/2014, any act of making funds or economic resources available to the designated entity constitutes a breach of Article 2 of the Regulation. Therefore, the bank account should have been closed to comply with sanctions requirements. As such, the release of funds from accounts of non-designated persons held in designated banking institutions, is covered by the "prior contracts" derogation, provided that the account was opened **before** the date of designation of the banking institution. However, in all cases, prior authorization from the relevant competent authority must be obtained.

4. **Q.: Is the firm required to maintain documentation as an audit trail for the screening of transacted goods?**
   A.: Yes, under paragraph 4.4. of ICPAC's Sanctions Directive.

5. **Q.: Are we required to comply with sanctions lists from non-EU countries, such as those issued by Ukraine, the UK, or the USA?**
   A.: Under the Cyprus National Legislation, firms are only bound to comply with EU and UN sanctions. However, firms have a responsibility to determine if there is a nexus that might subject them to the application of other sanctions regimes. For example, this could include situations where the firm maintains a dollar account, or where a director or partner holds dual citizenship with a country such as the UK or USA.

   However, firms may opt to include any sanctions regimes in their firms' policy, depending on their risk appetite, their clientele etc. Firms are strongly encouraged to assess the risk of being impacted by these sanctions regimes, especially given the expansion of designation criteria by authorities like OFAC (USA) and OFSI (UK). For example, the Bureau for Industry and Security (BIS) have introduced measures such as secondary sanctions risks and blacklists based on registered addresses.

   Additionally, it's important to consider that financial institutions, both local and international, have already incorporated sanctions regimes from other jurisdictions (e.g. USA/UK/Canada/Australia) in their CDD policies, making it difficult to conduct business if a firm and/or its clients are affected by OFAC/OFSI sanctions. As a result, aligning with these broader sanctions regimes may be a prudent approach to mitigating operational and reputational risks.

6. **Q.: When completing the Annual Consolidated AML/CFT Questionnaire and including the number of clients under US, EU, and UK sanctions, does this serve as a notification to ICPAC?**
   A.: Notification to ICPAC is required only for EU/UN sanctions regimes (see Compliance Circular 17_2022). The inclusion of clients in the Annual AML/CFT Questionnaire (AMLQ) **does not** constitute notification to ICPAC. A true match report must be submitted immediately and without delay upon identifying a match.

7. **Q.: If we onboard another company from the same group with the same BO that has already been reported to ICPAC as a true match for sanctions, do we need to report it again?**
   A.: Yes, reporting should be updated accordingly.

8. **Q.: Why are dual-use goods specifically mentioned in various ICPAC guidance/seminars? Aren't there other goods, services, and commodities also restricted under sectoral sanctions? Is there something particularly significant about dual-use goods?**
   A.: The Dual-Use Regulation operates as a separate sanctions regulation, distinct from those targeting Russia. It applies independently of the provisions in the Russian sectoral sanctions. This means that even if a good is not prohibited under the Russian sanctions, it may still fall under the Dual-Use Regulation and the EU Common High Priority List. Consequently, additional requirements and restrictions could apply to ensure compliance. In cases where a good is considered a dual-use good or included in the EU Common High Priority List and an import/export license has been granted, but at the same time the good is subject to prohibitions (e.g., under the Russian sectoral sanctions), the sectoral prohibition applies **regardless** of the import/export license, **unless** an exemption or derogation, for which prior authorization has already been granted, applies.

9. **Q.: If a client's engagement letter has not been renewed, but they have not been officially disengaged, and they are identified as a designated person under EU/UN sanctions during batch screening, is the firm still obligated to report this to ICPAC under the Sanctions Directive and CC17/22??**
   A: Yes, since the client has not been officially disengaged, the firm is still obligated to report the identification of the client as a designated person under EU/UN sanctions to ICPAC, as required by the Sanctions Directive and CC_17/2022. It is advised in any case where the firm opts to terminate a business relationship to either inform the client in writing or sign a disengagement letter. Depending on the services provided, further actions might be required, e.g. resigning from the position of a director, which would need careful handling or requesting a licensing from the relevant authority to avoid breaching any sanctions regulation by making available funds to a designated person.

   To access a template of a disengagement letter for audit services please refer to Technical Circular 52 and to access a template of a disengagement for administrative services, please refer to Technical Circular TC_7/2021.

10. **Q.: What is the risk level associated with a publicly listed company in Russia that is not on any sanctions lists?**
    A.: Firstly, it should be made clear that even if your client, i.e., the publicly listed company, is not included in any sanctions lists by name, it does not mean that it is not affected by sanctions.

    To check whether the publicly listed company is not in fact subject to any sanctions prohibitions/restrictions you should start by considering the status of the company in terms of ownership and control.

- Is there a person that holds 50% or more of the shares of the company?
- If yes, is this person a designated person or related to a designated person?

- If no, are there any designated persons in the ownership structure that hold 50% or more of the shares in the aggregate?
- If no, is there any designated person in the ownership structure that could exert control over the company?

If the ownership and control criteria do not apply, then you should proceed by checking whether the company is affected by the sectoral sanctions by means of its activities, sector/industry of operations, counterparties etc. For example, is the company dealing in Russia's energy sector with counterparties any prohibited persons listed in the Annexes of Regulation (EU) 833/2014?

If the client is not affected by the sectoral sanctions, you should consider whether your business relationship could be affected by means of the services provided. For example, there is a prohibition in the provision of audit and accounting services to any Russian company, irrespective of whether the company is listed as a designated person in any of the sanctions lists.

In addition to the above, you should always consider the reputational risk and operational cost in terms of extent of CDD required, associated with doing business with parties in a geographical location where such extensive sanctions prohibitions apply. Lastly, although legally binding are only the sanctions regimes imposed by the EU and the UN, it is strongly advisable to take into consideration third-country sanctions regimes, especially those jurisdictions whose sanctions prohibitions carry an extra-territorial effect.

11. Q.: In the case of an audit firm, which uses historic data, how can a real time transaction screening be performed?

A.: The term "transactions screening" means the screening of a movement of value within the firm's records, including funds, goods or assets, between parties or accounts with the purpose to identify possible sanctions targets via the screening of the payment information. It allows for the detection of sanctioned entities, locations and activities and provides clear risk insights to enable effective remediation and as such it should be performed on a real-time basis. Hence, transaction screening is expected to be performed by firms that assist the processing of transactions, such as providing directorship and/or bank management services.

Nonetheless, post-transaction screening or transaction monitoring refers to the assessment of the transaction after the transaction has been completed, aiming at the identification of unusual or suspicious patterns having the benefit of hindsight, as well as signs of sanctions violations or circumvention patterns or any other unusual activity not in line with the firm's risk appetite.

For further guidance on transaction monitoring please access the Guidance on Transaction Monitoring performed as part of the AML/CFT and Sanctions Compliance Checks.

12. **Q.: Should a small audit firm with local clients and no relations to sanctions /trade controls etc. prepare a sanctions manual?**
A.: The policies, procedures, measures and controls incorporated in a firm's Sanctions manual should be relevant and proportionate to the firm's characteristics, including its size and nature. The depth of those policies, procedures, measures and controls should be based on and guided by the results of a holistic firm-wide risk assessment. Firms with less or limited exposure to sanctions risk do not need to have an overly complex or detailed sanctions manual. Nonetheless, firms should bear in mind that sanctions do not refer only to the designated persons lists, but also include an extensive set of prohibitions incorporating sectoral sanctions, travel bans, military embargoes, import/export controls etc.

13. **Q.: If an investment broker acting on behalf of our client transacts with a sanctioned entity (e.g., the Russian Stock Exchange) without our client realising it, is this reportable as a sanctions breach?**
A.: Yes. The obligation to report possible sanctions breaches to the National Sanctions Implementation Unit and notify ICPAC relates to any information relating to possible sanctions breach that the obliged entity has in its possession or comes to its attention. The fact that the client did not realize it, may indicate poor monitoring of the party's acting on behalf of the client activities, but it is totally irrelevant to the reporting requirement obligated by Law.

14. **Q.: Should positive matches also be reported to EMEK?**
A.: Under article 19 of the EMEK Law (L.150(I)/2025) yes. The obligation is regardless of any reporting obligations towards the supervisory authorities.

15. **Q.: Should the screening of counterparties be performed on a sample basis in line with the selected auditing sample or should a different methodology specific for sanctions be performed?**
The screening of **all** prospective/new clients as well as all the other parties, including counterparties, is an absolute obligation, irrespective of the risk profile of the client and should be part of the onboarding and on-going due diligence. Nonetheless, in cases of clients with large number of counterparties, firms may not conduct screening of all counterparties, given that they take appropriate and adequate measures to mitigate the risks. In such cases, the assessment, rationale, measures and decision to derogate from the requirement to screen all counterparties must be documented adequately.

💡 **Important Insight:**

For a deeper understanding of this topic, make sure to watch the **ComplianceBriefs**. It addresses key points and examples, sometimes going beyond what's in this FAQ

🎥 Watch the ComplianceBrief on Sanctions

🎥 Watch the ComplianceBrief on Sanctions Compliance Program

🎥 Watch the ComplianceBrief on Navigating the EU TARIC System A case study approach

Miscellaneous

1. **Q.: Where can I access ICPAC's published materials on AML/CFT and sanctions compliance?**
A.: All materials related to AML/CFT and sanctions compliance published by ICPAC can be found under the **"Monitoring & Compliance"** tab on ICPAC's official website. This section includes guides, directives, and updates to assist with compliance requirements.

2. **Q.: Does ICPAC offer free seminars for its members or other educational material?**
A.: ICPAC, in collaboration with VinciWorks, an online compliance training provider, offers its members free e-learning modules on compliance-related topics. The e-learning platform provides access to a variety of subjects, including Money Laundering, Client Due Diligence, Identifying and Dealing with Suspicions, Sanctions, Bribery and Corruption, Fraud, and Market Abuse, among others.

   ICPAC Members can access the platform here

   Furthermore, the educational initiative "ComplianceBriefs" has been developed to enhance understanding and awareness of AML/CFT and sanctions-related topics. The ComplianceBriefs series is available on the ICPAC website here. Please note that viewing this training material qualifies as non-verifiable CPD units for compliance purposes.

3. **Q.: When is the Consolidated AML/CFT & Sanctions Questionnaire released for completion?**
A.: The submission of the Consolidated AML/CFT & Sanctions Questionnaire to ICPAC is an annual obligation. It is usually circulated to all firms and Compliance Officers at the end of May each year and aims at collecting information for the previous calendar year.

   The submission deadline for the Questionnaire is the 30th of June every year.

   To facilitate the preparation process, a template has been developed, highlighting key statistical data that firms should maintain to ensure readiness for the Questionnaire's release. The template can be accessed here under the name *«Annual AML-CFT Questionnaire - Template (statistics)»*. Please check the link regularly for any updates or revisions.

4. **Q.: Where can I find the required forms and templates for reporting information to ICPAC?**
A.: All required forms are available on the ICPAC website here. These forms cover various reporting requirements, including the following:

Forms:

a) **Trust Registration or Information Update:** To notify ICPAC about the registration of a trust in the trust registry or to update trust information, access the relevant form here. For any inquiries, contact trusts@icpac.org.cy

b) **Notification of Natural Persons Employed by an ASP**: The relevant form can be accessed here. For any questions, contact info@icpac.org.cy

c) **Notification of Subsidiary Companies of an ASP:** The relevant form is available here. For inquiries, contact info@icpac.org.cy

d) **Amendments to Firm Details:** To update firm details (e.g., name, addresses, compliance officer, director, shareholder, contact information, etc.), complete the Amendment of Firm's Details form, available here. For any questions, contact info@icpac.org.cy

Additionally, the ICPAC website offers compliance-related templates, which can be accessed here. These include:

Compliance Templates:

a) ICPAC AML Monitoring Visits – PVQ
b) ICPAC AML Monitoring Visits – AML Client List – PVQ
c) Reporting Template for Sectoral Sanctions
d) Template for True Matches Based on the Sanctions Directive
e) Sample Third-Party Reliance Questionnaire
f) Annual AML/CFT Questionnaire – Template (Statistics)

5. Q.: What penalties can be automatically imposed for late submissions?

A.: While penalties may be imposed for various infringements, in accordance with the ICPAC Regulation for Administrative Procedures and the Process of Imposing Administrative Sanctions, below are answers to some of the most frequently asked questions regarding penalty enforcement:

a) Failure to notify ICPAC within 7 days of any changes to the **Compliance Officer's** details incurs a predefined penalty of €500.
b) Failure to notify ICPAC within 15 days of the registration of a new **trust** or any changes to an existing trust incurs a predefined penalty of €100.
c) Failure to submit the annual **AML/CFT Questionnaire** within the set deadline incurs a predefined penalty of €500.
d) Failure to provide notification within 7 days of any changes to the Firm's **shareholding structure and directors** incurs a predefined penalty of €1000.