

Russian government restricts provision of information to foreign auditors

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Russian businesses are now restricted in providing foreign auditors or auditing companies with information they are allowed by law not to disclose to third parties and relevant documents under [Government Decree No. 622*](#) that came into force on 29 April 2021.

The changes are aimed at enterprises in the defence industry complex and enterprises active in state defence procurement and military-technical cooperation, as well as Russian companies undergoing foreign sanctions.

The Decree will also affect a wide range of financial market players (e.g. banks, non-bank credit organisations, specialised depositories, insurance companies, non-state pension funds, microfinance and clearing organisations) and securities issuers (e.g. Russian joint-stock companies).

As a result of the amendments, the abovementioned companies, in cases when they have exercised their right not to publicly disclose or partially disclose certain information, will not, when audited, be entitled to provide access to such information if their auditor (whether an individual or an organisation) is directly or indirectly controlled by foreign entities or if such entities are members of the same group as the auditor.

The Decree triggered a strong reaction in the business community. Some of its representatives interpreted the introduction of these restrictions as a complete ban on the types of Russian companies listed above from cooperating with auditors working under foreign brands. Other representatives concluded that the Decree would not affect this category of auditors, explaining that often the business model of auditors operating under foreign brands is based on franchises and does not involve any control by foreign entities.

Against this background, on 29 April 2021, the Ministry of Finance issued a [clarification*](#) stating that the existence of such restrictions does not mean a complete ban on cooperation with foreign auditing companies.

The clarification slightly reduced the degree of concern about the adoption of the Decree, but leaves open many questions on to how to comply in practice with the Decree's restrictions.

Forming a definite view of the adopted amendments would require additional clarification from the Ministry of Finance on this matter.

In the meantime, companies affected by the restrictions should discuss possible ways to mitigate them with their auditors.

If you have any questions on this eAlert, do not hesitate to contact CMS Russia experts [Hayk Safaryan](#), [Yulia Smourova](#), [Anna Osmakova](#) or your regular contact at CMS Russia.

* In Russian

KEY CONTACTS



[Hayk Safaryan](#)

Partner | Tax, Moscow



[Yulia Smourova](#)

Senior Associate | Tax, Moscow





Anna Osmakova

Associate | Tax, Moscow

