

REGULATORY COMPLIANCE UPDATE



AML/CTF REGULATION

08.2023

We remind you that the updated instructions for financial market participants came into force on September 1st



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Commencing on September 1, 2023 the Bank of Lithuania AML/CTF Amended Instructions will take effect.

According to the BoL Instructions, financial market participants will be required to evaluate experience, knowledge and competence of the board member responsible for AML/CTF and MLRO before appointing them. The BoL will have to be informed within 7 business days of such persons' appointment. The BoL does not require information on the persons appointed before September 1, 2023.

The Amended AML/CTF Instructions introduce detailed requirements on the assessment of effectiveness, efficiency, and suitability of internal control system. Such assessment will have to be carried out on daily basis by employees performing their functions, periodically at least once every two years, and when there are significant changes in the FMPs activities (ad-hoc).

The European Banking Authority Guidelines on the Use of Remote Customer Onboarding Solutions under Article 13(1) of Directive (EU) 2015/849



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The EBA Guidelines on the Use of Remote Customer Onboarding Solutions come into force on October 2, 2023. The EBA Guidelines outline specific requirements on what must be included in the financial institutions' policies and procedures, how remote customer onboarding solutions should be evaluated for their suitability before and during the use of such solutions, and matching customer information with the provided documentation.

Draft Law on the Prevention of Money Laundering and Terrorist Financing No. VIII-275 Amending Articles 2, 9, 10, 15, 16, 21, 23, 25, 253, 29, 36, 39, 40, 48 AND 49 and Supplementing the Law with Articles 81, 151 and 461



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The Parliament of the Republic of Lithuania has prepared a Draft Law on the Prevention of Money Laundering and Terrorist Financing which provides requirements for outsourcing performance of customer identification, includes the right to share suspicious activity information with other financial market participants, provides stricter impeccable reputation requirements, extends the amount of publicly available information on crypto companies.

For violations of money laundering prevention - sanctions against TransferGo Lithuania UAB



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The Bank of Lithuania has issued a EUR 310 000 fine to electronic money institution TransferGo Lithuania for gross AML/CTF violations.

The violations were related to non-adequate customer, representative and beneficial owner identification and verification procedures, customer risk assessment, enhanced and ongoing due diligence, transaction monitoring. In addition, the company did not provide suspicious activity reports in accordance with the procedure established by legal acts.

The Bank of Lithuania has also found that TransferGo's internal control system had deficiencies, as the registration logs were not kept, compliance information was not communicated to the management, and internal procedures were not approved. The company did not appoint board member responsible for AML/CTF and MLRO.



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Detailed and full Regulatory Compliance report on AML/CTF regulation can be found here:

Our recommendations and details are in this file





Lithuania's financial sector strengthens its efforts to combat cyber threats



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The Bank of Lithuania, the National Cyber Security Centre (NCSC), the Association of Lithuanian Banks (LBA) and several financial market participants signed a multilateral agreement to increase resilience and cooperation to fight cyber threats more effectively.

Under the agreement, participants will share specific information on cyber threats and incidents and will use a platform managed by the NCSC. This platform will allow sharing information on aspects of cyber security, including indicators, procedures, alerts, and technical data on cyber-attacks. This information will be analysed and used for prevention and countering threats.

The following important points are also highlighted:

- Although the number of cyber-attacks and incidents in Lithuania is on the rise, the financial sector is taking measures to address such threats.
- Cyber-attacks carried out by fraudsters or other groups have a significant impact on the financial sector and its customers.
- Banks and other financial market participants that have signed the agreement agree that ensuring cyber security is a top priority.
- It is mentioned that a survey by the Bank of Lithuania shows that almost one in five financial sector participants has been exposed to a cyber attack.

All these activities are aimed at increasing the resilience and preparedness of the Lithuanian financial system to cyber threats, especially in the event of increased geopolitical influences or regional conflicts.

Section introduced by the Bank of Lithuania



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The website of Bank of Lithuania has been supplemented by a section where the recommendations on EMI/PI operational requirements and governance are published. This section highlights the key violations that were identified during inspections, to which all financial market participants are encouraged to pay attention. The identified infringements are related to obligations of safeguarding of clients' funds, capital adequacy, internal audit, reporting. This section shall be continuously supplemented.

Department of Financial Services and markets supervision of the Bank of Lithuania



DOC

The Bank of Lithuania is conducting a documentary analysis on the withholding of payment transactions, to assess the current practice in the market. Pursuant to Point 2 of Part 4 of Article 42 of the Republic of Lithuania Law on the Bank of Lithuania, the Bank of Lithuania requests FMPs to submit a completed questionnaire in the Excel format to the Department of Financial Services and Markets Supervision of the Bank of Lithuania no later than by 11 September 2023.



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Detailed and full Regulatory Compliance report on EMI, PI regulation can be found here:

Our recommendations and details are in this file



REGULATORY COMPLIANCE UPDATE

CRYPTO

08.2023

China's CBDC showcase



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China is getting ready to demonstrate its CBDC on September 23rd during the Asian Games which will allow the citizens in the pilot zones to buy tickets for the event using the central bank's official CBDC app.

MiCA's lead builder will head EU CBDC proposal



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Stefan Berger, the main architect behind the MiCA regulation will now head an EU CBDC proposal. The ECB has not yet taken a formal decision whether to issue the CBDC, but has already invested significant resources in technical planning for it.

UK rolls out "Travel Rule" September 1st



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On September 1st the UK will implement the "travel rule", an international anti-money laundering law for crypto set by the Financial Action Task Force (FATF). The requirement to gather data on who their customers interact with overseas. However, that poses a headache because there's no global uniform adoption which limits the jurisdictions with which UK's crypto firms can cooperate if they wish to remain compliant.

Grayscale wins appeal against SEC re bitcoin ETF



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US' leading crypto-asset manager Grayscale wins an appeal against the US' Securities and Exchange Commission (SEC) that rejected its bid to convert the Grayscale Bitcoin Trust (GBTC) into an exchange-traded fund (ETF). The GBTC is one of the first securities solely invested in and deriving its value from the price of bitcoin (BTC), which enables investors to gain exposure to BTC in the form of a security while avoiding the challenges of buying, storing, and safekeeping BTC directly. An ETF are investment funds that are listed on stock exchange and may consist of several asset classes, such as equities, bonds etc.

Coinbase – Gold-standard crypto firm in court with SEC



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World leading exchange Coinbase is the first crypto firm to get the gold-standard registration as a futures commission merchant. In addition, the Commodity Futures Trading Commission (CFTC) granted Coinbase the ability to handle bitcoin and ether futures. However, the SEC claims that Coinbase's fundamental business model violated US securities law and is now battling crypto firms on how to define unregistered crypto securities and illegal exchanges. In particular, the SEC sued Coinbase alleging that the crypto trading platform was simultaneously operating as a broker, an exchange and a clearinghouse for unregistered securities.

G20 pushes for global crypto regulation – the "Synthesis Paper"



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G20 nations, supported by the FSB and IMF, are set to bring into implementation the first global crypto regulations before the Leaders' Summit in September. India, as the current G20 president, together with IMF and the Financial Stability Board (FSB) is expected to produce a "synthesis paper" that will focus on the global macro implications for crypto, and should include concerns around macro-financial implications and risks specific to Emerging Markets and Developing Economies stemming from crypto adoption.

Worldcoin hitting sign up records amidst regulatory infringements



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Worldcoin, a project created by Sam Altman (OpenAI's founder) encouraging users to prove their identity online by signing up for a World ID via an iris scan, which is operating in Kenya, has been engaging in its activities without legal authorization. Both Worldcoin and its affiliate Tools for Humanity based in Germany have not undergone the required registration processes to operate as legitimate business entities in the Country. Interestingly, only the Sales Marketing company, a subsidiary of Worldcoin, has been confirmed to be in full compliance with local business registration protocols. However, Worldcoin's sign-ups are hitting records in Argentina despite an ongoing probe into the project's handling of data by Argentine authorities.



Estonian DPA publishes short Guide on processing of employee email inbox data



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The news: the short Guide published by Estonian DPA covers the main aspects of processing of employee inbox data. The Guide highlights seven key aspects of such data processing:

- following termination of the employment relationship, the e-mail box must generally be closed immediately;
- it is recommended to use e-mail addresses based on the position instead of the named addresses of persons;
- the conditions for processing the contents of an e-mail box must be regulated in advance;
- etc.

Romanian DPA fines UIPATH SRL EUR 70,000 for insufficient technical and organizational measures



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The violation: the Romanian DPA fined the company and enforced corrective measures due to GDPR violations following a data breach. The breach involved the exposure of personal data of numerous users on a public website. Romanian DPA's investigation revealed the company's inadequate security measures that led to unauthorized access and disclosure of personal data (e.g., user details, email addresses, company names, course knowledge) of around 600,000 users. Consequently, the data controller was fined for violating GDPR Articles 25 and 32 and was directed to implement periodic security assessment mechanisms to prevent similar incidents in the future.

Romanian DPA fined Med Life SA EUR 2,000 for insufficient fulfilment of data subjects' rights



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The violation: company received a data subject's request for the right of access. Despite processing video surveillance data, the company neglected to furnish the data subject with a copy of the requested video footage. Consequently, the company incurred a fine.

Data Protection Authorities of Finland and Norway announce their intention on prohibiting transfers of Yango users' data to Russia



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The news: with a legislative reform in Russia taking effect in early September, the DPA's of Finland and Norway have issued orders to halt data transfers to Russia for Yango taxi services. This move is in response to the Federal Security Service of the Russian Federation (FSB) gaining the authority to access data from taxi operations. The Finland's Ombudsman has clarified that Yango taxi service's operations are managed by Ridetech International in the Netherlands, an EU service provider for Yango, and this company is transmitting personal data to Russia. The data collected through the Yango taxi app, such as customer location and ride addresses, is at stake. The Ombudsman emphasized that the upcoming Russian legislative reform would substantially compromise the safeguarding of customer data while using Yango's services. Given this legal shift, the respondent companies are unable to ensure personal data protection as required by EU legislation.

Lithuanian DPA publishes a Q&A regarding processing of health data for health day purposes



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The news: Lithuanian DPA published a Q&A, which covers the topic of public officials and civil servants being able to leave work for days per month if they're doing this for the purposes of visiting a health care institution and their employer rights to process such data. Lithuanian DPA emphasized that when collecting health data under GDPR Articles 6 and 9, employers or data controllers must ensure two conditions:

- health data should be essential for their purpose and not achievable through less intrusive means;
- processing must adhere to GDPR Article 5 principles.



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Detailed and full Regulatory Compliance report on PERSONAL DATA PROTECTION REGULATION can be found here:

Our recommendations and details are in this file



REGULATORY COMPLIANCE UPDATE



FINANCIAL AND ECONOMIC SANCTIONS

08.2023

Resolution of the Bank of Lithuania on the Approval of Instructions for Financial Market Participants on the Implementation of International Sanctions



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The Board of the Bank of Lithuania has issued instructions on the implementation of international sanctions for financial market participants, which will enter into force on 1 September this year.

The Instructions provide requirements for internal control systems and their testing/auditing, sanctions risk assessment, sanctions policy and procedures, sanctions screening, control of intermediaries and reporting on internal control system deficiencies.

Instructions implement a new requirement for FMPs – annual and ad-hoc enterprise-wide sanctions risk assessment, in which the financial market participants assess their operational risk, customers risk, and the risk of proliferation financing. The enterprise-wide sanctions risk assessment may identify increased-risk situations for which a risk remediation plan would have to be drafted and the responsible person assigned.

Another new requirement – FMPs are required to inform the Bank of Lithuania within 5 business days on the detected serious deficiencies in its internal control system when those deficiencies had a serious impact on the implementation of international sanctions.

FAQ by the Bank of Lithuania



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In preparation for the entry into force of the sanctions instructions, the Bank of Lithuania provided 5 answers to frequently asked questions in the area of sanctions implementation. In the answers, the BoL has confirmed that information on significant deficiencies should be reported via email: prieziura@lb.lt; sanctions risk assessment must be performed at least once-a-year and on the ad-hoc basis; provided legal references according to which operations can be rejected because of the suspicions of non-compliance with sanctions; informed that declarations of competent authorities (e.g., Customs) should be analysed to ensure that they are related to customer's activities and provided information; informed that not every transaction must be suspended and investigation if it does raise any sanctions related suspicions.

New sanctions imposed on Belarus



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On 3 August 2023, the Council of the European Union adopted a new package of sanctions against Belarus, imposing additional individual restrictive measures and expanding sectoral sanctions, partly in line with the restrictive measures imposed against Russia.

International Sanctions Newsletter



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The Ministry of Foreign Affairs of the Republic of Lithuania launched a newsletter earlier this month providing news on international sanctions. The newsletter is a useful tool to keep up-to-date with the latest news on international sanctions, whose implementation is mandatory for everyone.

ICC publishes report on dual-use goods and proliferation financing



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The International Chamber of Commerce publishes a report examining the challenges of dual-use goods in the financial services sector, providing a set of controls and risk-based approaches to identify and examples of how to identify and manage related risks in trade finance.

The report also aims to summarise best practices and recommendations for financial institutions involved in trade finance, recognising that different approaches are valid based on the individual circumstances of the respective institutions' individual circumstances. It also notes that no single solution or method is not one size fits all, while recognising that the mere use of a sleek commodity methods of name verification are often of limited effectiveness.



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Detailed and full Regulatory Compliance report on Financial and Economic Sanctions can be found here:

Our recommendations and details are in this file





The European Banking Authority (EBA) Press release



[LINK](#)

The European Banking Authority (EBA) published a Report on its mystery shopping exercise into personal loans and payment accounts. This exercise has reaffirmed the significance of mystery shopping as a valuable tool for overseeing national competent authorities, complementing traditional approaches. It offers a unique firsthand perspective on how financial institutions interact with consumers, both in physical branches and digital channels.

The study, which involved the participation of five national competent authorities, aimed to evaluate the behaviour of financial institutions in various Member States. The EBA's mystery shopping initiative scrutinized 37 financial institutions through 340 interactions, comprising 250 on-site visits and 90 online interactions. The primary focus was on the pre-contractual phase of personal loans, with some regions including payment accounts, even those with basic features.

Findings from the exercise demonstrated that there were instances of inadequate conduct among some financial institutions. These institutions failed to provide essential pre-contractual information to customers and automatically increased credit amounts by incorporating bank fees without explicit consumer consent.

The outcomes underscore the vital role of mystery shopping in augmenting regulatory oversight and highlighting areas where improvements are necessary within the financial services sector.

European Commission (EC) Press release



[LINK](#)

As of August 25, major search engines and online platforms designated by the European Commission are embarking on a journey towards a safer and more accountable online environment as they begin to comply with the provisions of the European Union's Digital Services Act (DSA) (Regulation (EU) 2022/2065). Under the regulations set forth in the DSA, these large digital platforms are obligated to enhance transparency in their operations. One of the key requirements is the need to provide consumers with clear insights into the reasons behind the recommendation of specific information. This move aims to empower users by granting them a deeper understanding of the algorithms that influence the content they encounter.

Furthermore, the DSA mandates these platforms to monitor sellers on online marketplaces, fostering accountability and ensuring the authenticity of products and services available for purchase. Consumers will gain the right to opt for recommendation systems that do not rely on user profiling, giving them greater control over the content they are exposed to.

European Central Bank (ECB) Press release



[LINK](#)

ECB published Consumer Expectations Survey results – June 2023

Compared with May 2023:

Consumer inflation expectations have seen a decline for both the next 12 months and the following three years. While expectations for nominal income growth in the upcoming year have remained stable, projections for nominal spending growth have experienced a further decrease. On the front of economic outlook, the negativity surrounding expectations for economic growth in the coming year has slightly eased, and anticipated unemployment rates for the same period have remained steady. When it comes to the housing market, expectations for growth in home prices over the next 12 months have held steady, whereas predictions for mortgage interest rates a year from now have slightly decreased.



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Detailed and full Regulatory Compliance report on Consumer Protection can be found here:

Our recommendations and details are in this file

