



Decisions of the Financial Market Supervisory Committee of the Bank of Lithuania



[LINK](#)

Electronic money institution Verse Payments Lithuania UAB has received a fine of EUR 280 000 and the director, who was also a board member responsible for the organization of AML/CTF measures, of the company received a fine of EUR 75 000 for violations of the Lithuanian AML/CTF Law.

According to the Bank of Lithuania, the company did not perform adequate identification and verification of customers and their beneficial owners, KYC procedure was inadequate to understand the purpose and nature of business relationship, the company did not comply with simplified due diligence requirements and therefore opened anonymous accounts and/or accounts with fictitious names.

Verse Payments Lithuania UAB did not have internal controls and procedures for the implementation of financial sanctions, did not perform appropriate enhanced due diligence on high-risk customers, internal control function responsible for organizing the prevention of ML/TF was not independent from business interests.

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Electronic money institution Paylar, UAB has received a fine of EUR 40 000 for violations of the Lithuanian AML/CTF Law. According to the Bank of Lithuania, the company did not perform enterprise-wide ML/TF risk assessment, customer risk assessment procedures did not ensure the proper distribution of customers into risk groups, identification procedures were inadequate, internal control systems were not tested for suitability and effectiveness. In addition, Paylar, UAB has provided false information, providing significantly lower number of customers and their turnover.

Countering Ransomware Financing



[LINK](#)

The Financial Action Task Force has published a report on how public and private institutions can counter ransomware financing. The report analyses ransomware attack methods and the wider payment ecosystem, with the intention of improving global understanding of the financial flows tied to ransomware and strengthening measures to counter them. The report additionally provides a list of potential risk indicators for both public and private actors to detect ransomware-related financial flows. The red flags mostly focus on virtual asset service providers, as the ransomware-related laundering mostly involve virtual assets.

Commission Delegated Regulation (EU) 2023/410 of 19 December 2022 amending Delegated Regulation (EU) 2016/1675



[LINK](#)

Starting from March 16, 2023, the European Commission has included the following countries in the high-risk third country list:

- Democratic Republic of the Congo
- Gibraltar
- Mozambique
- Tanzania
- United Arab Emirates

The following countries were removed from the high-risk third country list:

- Nicaragua
- Pakistan
- Zimbabwe

New EU measures against money laundering and terrorist financing



[LINK](#)

The Members of the European Parliament adopted their position on three pieces of draft legislation on the financing provisions of EU Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) policy, consisting of the EU “single rulebook” regulation, the 6AMLD, the regulation establishing the European Anti-Money Laundering Authority (AMLA).

Public Statement on revisions to R.24



[LINK](#)

The Financial Action Task Force has updated its Recommendation 24 by requiring countries to ensure that competent authorities have access to adequate, accurate and up-to-date information on the true owners of companies. The revised Recommendation 24 explicitly requires countries to use a multi-pronged approach, i.e., to use a combination of different mechanisms, for collection of beneficial ownership information to ensure that adequate, accurate and up-to-date information on the beneficial ownership of legal persons is available and can be accessed by the competent authorities in a timely manner, such as beneficial ownership registers or other alternative mechanisms.

The revisions to Recommendation 24 also require countries to follow a risk-based approach and consider the risks of legal persons in their countries, not only those posed by legal persons created in their countries, but also by foreign-created legal persons with sufficient links with their country.



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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





Overview published by the Bank of Lithuania



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The Bank of Lithuania published the overview of the EMI and PI sector of Lithuania 2022.

The income of the sector grew and was 1.6 times higher than in 2021 (up to 405.2 mln. eur).

Volumes of operations grew 1,3 times (up to 110 bln. Eur).

Challenges/tips identified by the BoL:

1. **Capital adequacy requirements** – good practice to have more than 1,1 ratio of minimal required capital.

2. **Main themes in the inspections during the 2022 were** – AML, KYC, fraud risks management, own capital, clients' funds safeguarding requirements, internal audit function, internal control, and risk management requirements.

3. **Growing the maturity of the sector to assign more attention and resources to the most important spheres:**

- 3.1. money laundering prevention,
- 3.2. own capital and safeguarding of clients funds,
- 3.3. internal control and risk management requirements,
- 3.4. compliance requirements.

4. **BoL is going to increase the compliance of EMI and PI in the following spheres:**

- 4.1. reporting,
- 4.2. audit reports,
- 4.3. capitalization,
- 4.4. provision of licensed activities.

5. **The inspections of the most risky companies will be performed at least once per three years.**

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Taking into account the available supervisory information, the Bank of Lithuania has applied a preventive measure to the electronic money institution UAB PAYRNET - appointed Grant Thornton Baltic, UAB as a temporary representative to supervise its activities until 30 June 2023. Temporary representative is obliged to periodically provide information to the Bank of Lithuania about the institution's activities.

Resolution of the Bank of Lithuania No 03-59



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The Bank of Lithuania has adopted Resolution No 03-59, by which it has been decided to supplement the current Resolution of the Bank of

Lithuania No 03-261 On description of the procedure for compiling and submitting reports to the Bank of Lithuania for the supervision of money laundering and/or terrorist financing prevention measures of electronic money institutions and payment institutions. The Resolution established new reporting forms and replaces the existing ones. The new forms are for reporting customer activities (industries), customer and their payment services (customer number and value of payment services separated by country), payment services (how the funds were transferred, amount and number of transactions separated by country), statistics regarding suspicious activities, and information on intermediary activities.

Our recommendation:

The updated Resolution came into force from 14th of March 2023, please follow the news from the Bank of Lithuania regarding changes. The resolution is applicable for the reports to be submitted to the Bank of Lithuania for Quarter I of 2023. The deadline to submit the reports is set until 16th of June 2023.



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The Bank of Lithuania granted FinCause, UAB, a Taiwanese capital company, an electronic money institution license. It will be able to issue electronic money and provide payment services (cash deposits and withdrawals, payment transactions including direct debits and credit transfers, issuance of payment instruments such as payment cards, acquiring of payment transactions, money remittances) and exchange currency.

REMINDER ON REPORTING

By March 1 you had to provide the following AML-related reports to the Bank of Lithuania:

- Report on monitoring;
- Report on foreign customers and their payment transactions;
- Report on activities of intermediaries.

Due to the end of the first quarter, the following reports shall be submitted to the Bank of Lithuania:

- Balance sheet statement;
- Off-balance sheet statement;
- Profit (loss) statement;
- Statement of changes in equity;
- Report on performance indicators and safeguarding of received funds;
- Report on customers with whom business relationships are established;
- Report on significant payment transactions;
- Report on payment transactions related to foreign countries;
- Report on statistical payment data.

Reports for supervision of the implementation of money laundering and/or terrorist financing prevention measures for Q1 of 2023 shall be submitted by 16th of June 2023.



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Detailed and full Regulatory Compliance report on Payment services, electronic money, other institutions rendering payments, regulation can be found here:

Our recommendations and details are in this file



Information from the State Labour Inspectorate



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The State Labour Inspectorate has clarified the distinction between overtime, additional work, and increased workload.

Overtime

- Overtime is when an employee works more than the prescribed working hours, up to a maximum of **8 hours per week** (12 hours with consent) or **180 hours per year**;
- Generally allowed only with the employee's consent, except in cases specified in the Labour Code;
- The employee must be paid **at least 1.5 times his/her regular remuneration**.

Additional work

- Additional work is the performance of **an additional job function** not agreed beforehand in the employment contract;
- It may be carried out at the same time as or during time outside the performance of the main job function, or project work may be agreed upon;
- May be agreed in the same employment contract or in a separate agreement to the employment contract;
- The agreement **must specify when the additional work is to be performed, the working hours, the remuneration**, and other relevant conditions.

Increased workload

- Increased workload means **an increase in the scope of work related to existing job functions**;
- It may be agreed in the same employment contract, in an amendment to the employment contract or in a separate agreement to the employment contract;
- The employee should be paid **an increased remuneration**.

Our recommendation:

As the incorrect distinction between overtime, additional work and increased workload often leads to disagreements or even labour disputes, we recommend that you familiarise yourself with the information we have provided and, if necessary, make changes to your existing employment contracts / conclude required agreements.

Information from the State Labour Inspectorate



LINK

Following the new provisions of the Labour Code on the prevention of violence and harassment at work, the State Labour Inspectorate has provided clarifications on some of the most common cases of misinterpretation of psychological violence.

Constructive criticism and respectful comments

- Constructive criticism and respectful comments do not constitute psychological violence, as they are part of the work process and are aimed at improving the quality of work.

Employer's requirement and demand for work

- The employer may require the employee to carry out the tasks assigned to him/her in a proper, timely, and high-quality manner. The employer's demanding attitude towards an employee does not in itself constitute psychological violence, **but an unjustified increase in demanding behavior towards only one employee could be regarded as such**.

Request for an explanation on possible failure to perform / improper performance of job duties

- If the employer has reason to believe that the employee has violated his/her duties, he/she has the right to carry out an official investigation, to request a written explanation from the employee and, **if justified, to serve a notice that a second violation of the same duties may lead to dismissal**.

Our recommendation:

A correct understanding of violence and harassment can help to define the boundaries of appropriate behavior and thus avoid potential disputes.

As a reminder, all employers must:

- take measures to eliminate and/or control violence and harassment at work;
- establish a procedure for reporting and investigating violence and harassment at work;
- provide training to employees on violence and harassment at work.

Additionally, organisations with more than 50 employees are **also required to establish a violence and harassment prevention policy**.

REGULATORY COMPLIANCE UPDATE



PERSONAL DATA PROTECTION REGULATION 03.2023

Irish DPA fined Bank of Ireland 365 EUR 750,000 for insufficient technical and organisational measures to ensure information security.  [LINK](#)

The violation: the bank had suffered 10 personal data security breaches within its mobile application. As a result of the breaches, unauthorized persons had managed to gain access to the app as well as to other individuals' accounts.

The DPA determined that this data breach was facilitated due to the bank's failure to implement appropriate technical and organizational measures to protect personal data.


VDAI issues Guidelines for employees and employers on the protection of personal data in the context of employment relationships.  [LINK](#)

The guidelines address the issue of unclear situations and the absence of proper information regarding GDPR compliance in the context of employment relationships. The following guidelines have been released:

- Guidelines for employees on the protection of personal data in the context of the employment relationship (employee guide);
- Guidelines for businesses on the protection of personal data in the context of employment relationships (business guide);
- Guidelines for the public sector on the protection of personal data in the context of employment relationships (public sector guide).


Spanish DPA fines Orange Espagne S.A.U. EUR 70,000 for insufficient legal basis for data processing.  [LINK](#)

The violation: Spanish DPA launched an investigation into the company after following a complaint regarding a duplicate SIM card that was issued to an unauthorized fraudulent third party without their consent. Spanish DPA found that the company failed to verify the identity of the third party or obtain the data subject's consent to share their data. This allowed the fraudsters to gain access to the data subject's bank account and make unauthorized transactions.

ENISA releases a tool to help assess the level of cybersecurity maturity.  [LINK](#)

The news: ENISA released a tool to help Small and Medium Enterprises assess the level of their cybersecurity maturity, define the risks and receive a remediation plan to mitigate them and improve their maturity. The tool includes several features including evaluation of cybersecurity (including evaluation of people, technology, and processes), providing a personalised action plan.

 [LINK to the tool](#)

Spanish DPA fines CAIXABANK PAYMENTS & CONSUMER EFC, EP, S.A.U. EUR 70,000 for insufficient legal basis for data processing.  [LINK](#)

The violation: Spanish DPA found that the controller sent messages regarding outstanding debts, even when the debts have been annulled. For this reason, the DPA determined that the disclosure of the data subject's personal data for the purpose of contacting them regarding the settlement of the debt was unlawful.

Norwegian DPA fined Argon Medical Devices EUR 220,000 for insufficient fulfilment of data breach notification obligations.  [LINK](#)

The violation: the Norwegian company failed to notify the DPA about a data breach within the required 72-hour period. The breach affected its employees located in the EU.

You can read more about appropriate technical and organizational measures in VDAI Guidelines here (text available in Lithuanian only)



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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





Law Amending Articles 29, 515, 589 and the Appendix of the Code of Administrative Offenses and Supplementing the Code by Article 1884



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The Government of the Republic of Lithuania, among other changes, have decided to change Article 515 of the Code of Administrative Offenses, according to which the managers of legal entities can face administrative liability for the company's violation of sanctions.

The fine ranges from EUR 600 to EUR 6 000. Violations may also result in confiscation of property. According to the amended Law, not only natural persons, but also legal persons will be subject to restrictive measures.

Draft Law of the Republic of Lithuania Law on Restrictive Measures Regarding Military Aggression Against Ukraine



LINK



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The Government and the Foreign Office of the Republic of Lithuania has proposed a new law to ensure national security and foreign policy interests in light of other nations' aggression against Ukraine. The Law should be a temporary measure to reduce the risks associated with the current war against Ukraine – it is proposed that the Law will be valid for one year- until April 14, 2024.

The main changes following the adaptation of the Law:

- Suspension of applications for visas issued to citizens of Russia and Belarus and the adoption of decisions on these applications. Applications for the granting of electronic resident status would also not be accepted.
- Citizens of Russia and Belarus would no longer be granted temporary residence permits in Lithuania.

Ukraine's territorial integrity, sovereignty and independence: EU renews individual restrictive measures for six months



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The Council of the European Union has decided to extend the current restrictive measures, which are aimed at those who have posed a threat to the sovereignty, territorial integrity, and independence of Ukraine, for an additional six months, until 15 September 2023.

The measures involve travel restrictions for individuals, asset freezing, and prohibition of the provision of funds or economic resources to the designated entities and individuals. The sanctions will continue to affect 1,473 individuals and 205 entities, with many being targeted in response to Russia's unwarranted and unprovoked military aggression against Ukraine.

National security threat assessment



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The State Security Department of the Republic of Lithuania and the Second Operational Services Department under the Ministry of National Defence has published the National Security Threat Assessment which assesses the threats and risk factors faced by the Lithuania's national security in near future (2023 – 2024) and in a long term – up to 10 years. The threats and risks were determined based on the assessed current events, processes and tendencies analysed by Lithuanian intelligence.

Intelligence reports indicate that Russian citizens and businesses are organising schemes to evade sanctions, often using intermediaries in third countries, such as Lithuania. These schemes typically involve false data and descriptions of goods to conceal their true purpose, as well as concealing the final recipients when transporting goods through a long chain of intermediaries.

Sanctioned Russian natural and legal persons are also likely to be interested in transferring funds to other countries, creating shell companies in third countries, evading restrictions on transfers of funds, or reorganising their businesses by concealing the ultimate beneficiary. These schemes may involve intermediaries in Lithuania who have previously operated or had contacts in Russia or Belarus.

Law of the Republic of Lithuania on International Sanctions No. IX-2160 Law amending Articles 1, 2, 5, 11, 12 and Chapter V and supplementing the Law with Chapter II-1 and the Annex



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The amended Law on Sanctions introduces definition of Restrictive Measures, provides conditions on the imposition of restrictive measures and proposes specific fines for non-compliance with international sanctions.

Starting from April 15, 2023, the fines for companies will start at EUR 10 000 and will reach 50-100% of the value of goods. If the company repeatedly violates sanctions during the year, and if the value of the goods exceeds EUR 100 000, company may receive a fine of up to 5% of annual income, but not less than the value of the goods and not less than EUR 20 000.

If the subject of the violation of sanctions is not goods, services or funds, the fines will range from EUR 20 000 to EUR 50 000.

Violation of sanctions may also result in confiscation of goods and funds subject to the violation.



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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





European Commission proposal (COM/2023/166 final)



LINK

The European Commission is proposing common criteria against greenwashing and misleading environmental claims.

Under proposal, consumers will have more clarity, stronger reassurance that when something is sold as green, it actually is green, and better-quality information to choose environment-friendly products and services. When companies choose to make a 'green claim' about their products or services, they will have to respect minimum norms on how they substantiate these claims and how they communicate them.

This way, the proposal will help establish a level playing field when it comes to information about environmental performance of products.

Our recommendation:

Recommendation to start following criteria laid down in the proposal even before the proposal will take form of a legal act. Businesses that make a genuine effort to improve the environmental sustainability of their products/ services will be more easily recognised and rewarded by consumers and able to boost their sales.

The newsfeed of Bank of Lithuania



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Bank of Lithuania issued dispute statistics for the year 2022. Bank of Lithuania in 2022 processed a record number of disputes, mainly related to payment services, and recorded the highest number of amicable settlements.

Most common reason for disputes is cases related to fraud.

Last year, the Bank of Lithuania examined 608 disputes regarding financial services, 35 percent more than during 2021. Disputes between residents and banks increased the most during the year (from 22 to 38%). The number of disagreements with insurers decreased for the fourth year in a row, but they account for 40 percent of all disputes examined by the Bank of Lithuania.

In 2022 a record number of 171 peaceful agreements was reached (last year - 122), which is 28 percent of all appeals. The Bank of Lithuania actively encouraged the disputing parties to resolve their disagreements by peaceful means. Practice shows that this method has worked in almost all cases where users have made reasonable demands.

Our recommendation:

Recommendation to follow good practice of resolving disagreements by peaceful means.

As your legal advisors we will be happy to assist you regarding all the questions related to proposed changes in regulation, including legal advice as well as revision and preparation of your internal documents.

