

REGULATORY COMPLIANCE UPDATE



AML/CTF REGULATION

05.2023

The Bank of Lithuania: KYC information collected by banks enhances Lithuania's resistance to the money laundering and sanctions evasion threats



[LINK](#)

The Bank of Lithuania has prepared informational booklet to the customers of Lithuania's financial institutions on why the banks and other financial institutions require specific Know Your Client information. The booklet includes answers to frequently asked questions related to customer information requirements, such as:

- Do financial institutions have the right to ask for personal information?
- What kind of information can financial institutions ask for?
- Why the collection of information is necessary?
- Is the data provided to the financial institutions secure?
- Why is it mandatory to provide information?
- What to do if requested information is not provided or renewed on time?
- How to provide the information?
- What will happen if the requested information is not provided?
- Where to find more information on the AML/CTF and sanctions requirements
- Other notable information

The Bank of Lithuania: information sharing, technologies and effective data management are key to prevent money laundering



[LINK](#)

The BoL has participated in an international conference "Fighting Sanctions Evasion and Financial Crime on the Front Lines: The New Reality", in which the BoL emphasized the importance of effective data management and active exchange of information between institutions. The BoL notes that ML/TF is an international organised activity, therefore it is important to constantly strengthen both inter-institutional and public and private sector cooperation both within the country and abroad. The BoL, together with other institutions and the Centre of Excellence in Anti-Money Laundering, is taking the initiative to enable financial market participants to exchange information about customers, especially in cases of suspected fraud.

FCIS Money Laundering Prevention: Reports of Suspicious Transactions Have Doubled, Inspections Continue



[LINK](#)

The Financial Crime Investigation Service informs that it received twice as many suspicious activity reports (SARs) in 2022 compared to 2021. The total number of SARs in 2022 exceeds 100 000. Electronic money institutions, payment institutions, and cryptocurrency operators were the primary reporters. In 2022, the FCIS conducted inspections on 30 companies, including 16 cryptocurrency operators, 7 company incorporation service providers, and 7 asset trading companies. The FCIS found that 25 of these companies failed to meet the requirements of the Lithuanian AML/CTF Law.

Instructions for financial market participants aimed at preventing money laundering and/or terrorist financing



[LINK](#)

The Bank of Lithuania has issued instructions for financial market participants aimed at preventing money laundering and terrorist financing. The Draft instructions introduces requirement for market participants to inform the Bank of Lithuania on the appointed board member responsible for AML/CTF and MLRO, and provides specific requirements for the assessment of internal control system. According to the Draft instructions, financial market participants must perform the risk assessment on how effective, efficient and compliant to legal regulation are used internal control system on the ongoing basis (daily by employees) and periodically – during enterprise-wide risk assessment.

Digital finance: Council adopts new rules on markets in crypto-assets (MiCA)



[LINK](#)

The Economic and Financial Affairs Council unanimously approved the MiCA regulation. This is the final formal step in the legislative process. The MiCA will enter into force on the twentieth day following that of its publication in the Official Journal of the European Union. The MiCA provisions will be applicable 18 months after the entry into force.

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



[LINK](#)

Electronic money institution Verified Payments, UAB has received a fine of EUR 110 000 for non-compliance with the Lithuanian AML/CTF requirements, including shortcomings in the separation of AML/CTF functions, conflicts of interest, and control of intermediaries. The Bank of Lithuania has found that the company did not have adequate customer due diligence procedures to determine the purpose and nature of the customers' business relationships, enhanced due diligence measures were not properly applied to high-risk customers, especially when identifying the source of funds/ source of wealth, virtual asset service providers and gambling operators were not properly identified. In addition, Verified Payments, UAB did not ensure effective monitoring of transactions and business relationships, ongoing due diligence was not performed according to the timeframes identified in the company's procedures.



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

Our recommendations and details are in this file





Publication by the Resolution of the Board of the Bank of Lithuania on the Changes to the Rules for Conclusion of the BIC Holder's Agreement Addressed by the Bank of Lithuania's Payment System CENTROLink Bank of Lithuania



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The Bank of Lithuania has amended the rules for concluding agreements with BIC holders. According to the amended rules, the BIC holders cannot be participants of TARGET system if in the last 24 months they, their managers, beneficial owners were subject to restrictive measures for non-compliance with AML/CTF, fraud prevention and/or sanctions implementation requirements. In addition, BIC holders will have to prove that they comply with AML/CTF, fraud prevention and sanctions implementation requirements and that no ongoing investigations are being carried out. To prove the compliance, BIC holders will have to provide an audit report that was issued not later than within 6 months and to prove that no restrictive measures are currently applied or ongoing investigations carried out, BIC holders will have to provide confirmation of supervisory authority issued not later than within 3 months.

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



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The Bank of Lithuania has issued a fine of EUR 9 000 to electronic money institution UAB STANHOPE FINANCIAL for non-compliance with own capital requirements. The Bank of Lithuania identified that in the fourth quarter of 2022, the electronic money institution UAB STANHOPE FINANCIAL did not fulfill the own capital requirement – the capital was lower than the minimum allowed amount of EUR 350 000. According to Point 3(1) of Article 24 of the Law on Electronic Money and Electronic Money Institutions, own capital must be always at least EUR 350 000.

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



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The Bank of Lithuania has issued a fine of EUR 70 000 to electronic money institution Via Payments UAB for deficiencies in business continuity procedures. The Bank of Lithuania found that the company had not conducted a proper impact analysis, had flawed business continuity plans and testing procedures, and its response and recovery plans did not meet the regulatory requirements. The BoL also found violations in other areas, such as:

- Safeguarding of clients funds.
- Inaccurate information regarding customer fund balances in reports submitted to the regulator.
- Information and Communication Technology (ICT) strategy, ICT resource registers.

Resolution of the Board of the Bank of Lithuania on the Changes to the Bank of Lithuania's Payment System CENTROLink Operational Rule



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The Bank of Lithuania has amended the CENTROLink operational rules. According to the amended rules, the Bank of Lithuania will now have the right to:

- postpone the assessment of the person seeking to become a CENTROLink system participant until the certain date or circumstances;
- suspend, limit or terminate the agreement with CENTROLink system participant based on the suspicion that the participant is not compliance with AML/CTF, fraud prevention and/or sanctions implementation requirements;
- request CENTROLink system participants to provide information on beneficial owners, subsidiary companies, members of management bodies, money laundering prevention officers, business model, client portfolio structure, applicable money laundering, terrorist financing, fraud prevention and international sanctions implementation measures, investigations of supervisory authorities;
- refuse request for participation in the CENTROLink system if the person is subject to effective restrictive measures imposed by supervisory authorities due to deficiencies in the AML/CTF, fraud prevention or sanctions compliance or if the applicant is subject to an ongoing investigation by supervisory authority

The Amended instructions come to force on July 1, 2023.

REMINDER ON REPORTING

Please make sure you have submitted the reports to the State Tax Inspectorate. As well please be aware of the upcoming deadlines for reporting to the State Tax Inspectorate.

Please note that the second quarter is coming to an end, meaning that quarterly reports will have to be submitted which includes:

- Report on statistical payment data and statistical data on fraudulent payments;
- Reports for supervision of the implementation of money laundering and terrorist financing prevention measures;
- Financial reports (at all times be aware of the capital adequacy requirements).

Please be aware that financial institutions must, before the end of the first six-months' period of the current financial year, conclude a contract with the audit firm selected at the general meeting of the participants of the financial institution on the performance of the audit of the financial statements and submit it to the supervisory authority.

Please make sure the annual fees for the Bank of Lithuania are paid.

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

Our recommendations and details are in this file



Decision of the Supreme Court of the Republic of Lithuania



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The Supreme Court of the Republic of Lithuania has clarified the procedure for compensation of damages to the employer.

The Court indicated that the obligation to compensate damages arises when:

- An unlawful act commits it due to the offender's fault;
- A causal link connects the unlawful act and the occurrence of damage;
- Both parties are in an employment relationship at the time of the violation;
- The event of damage is related to work activities.

Information from the State Labour Inspectorate of the Republic of Lithuania



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The State Labor Inspectorate informs that compensation for employees whose work is of a mobile nature is abolished.

Information from the State Labour Inspectorate of the Republic of Lithuania



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State Labour Inspectorate reminds employers about termination of an Employment Contract on the Initiative of the Employee for Valid Reasons.

In order to avoid any misunderstandings, the employee must indicate the following in his/her request to terminate the contract:

- The date of the request;
- The desired date of termination;
- The specific reason for termination established in the Labour Code.

Information from the State Labour Inspectorate of the Republic of Lithuania



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The State Labor Inspectorate reminded employers of the safeguards available to employees with family obligations.





Data Protection Authority of Ireland fined Meta Platforms Ireland Limited EUR 1,200,000,000 for insufficient legal basis for data processing  [LINK](#)


The violation: The Irish DPA issued the largest-to-date fine imposed for GDPR violations. During its investigation, the DPA established that Meta had continued to transfer personal data to the United States even after the Schrems II ruling. This violated Article 46 of the GDPR, as U.S. law was deemed to provide inadequate data protection compared to EU standards. Despite relying on standard contractual clauses (SCCs) and additional safeguards, Meta's measures were found insufficient by the DPA. Additionally, Meta was ordered to cease future data transfers to the U.S. and to stop storing data already transferred within six months. Meta has announced its intention to appeal the ruling and seek a suspension of the orders through legal means.

CJEU adopts a decision in Österreichische Datenschutzbehörde v CRIF GmbH  [LINK](#)

The news: the controller provides creditworthiness services of third parties. The case concerned data subject's request for a copy of their data. The controller provided the data subject only with a summary of their data. As a result, the data subject appealed this to the national DPA, and the case eventually reached CJEU.

In this regard, it was noted that:

- Data controllers are required to provide the data subject with an accurate and comprehensible reproduction of their personal data. This may involve sharing copies of relevant documents, extracts from documents, or extracts from databases, as necessary to safeguard their rights and interests;
- The court noted that the term "copy" does not refer to the document itself, but to the personal data it contains, which must be complete. The copy must therefore contain all the personal data processed.

Croatian Data Protection Authority fined a debt collection agency EUR 2,265,000 for insufficient technical and organisational measures to ensure information security  [LINK](#)

The violation: the highest fine issued by the Croatian DPA was a result of an anonymous complaint. The complaint noted that large numbers of personal data of the company's debtors was processed without any authorisation.

The DPA found that the controller failed to properly inform data subjects about the processing of their data within its privacy policy. Additionally, it was found that the company failed to provide information about the legal basis for the refund of overpaid funds. Additional violations were found regarding the company's processor and that the company failed to conduct a data processing agreement with its processor responsible for the monitoring of simple consumer bankruptcies. Additionally, the leak of personal data via the USB file was considered as a data breach. Lastly, the company failed to properly cooperate with the DPA.

Cypriot Data Protection Commissioner fined NAGA Markets Europe Ltd EUR 9,000 for insufficient technical and organisational measures to ensure information security  [LINK](#)

The violation: the Cypriot DPA has imposed a fine of EUR 9,000 on NAGA Markets Europe Ltd. The controller had suffered a data breach in which an unknown person accessed the company's database, holding the data of approximately 342,000 customers. The DPA found that the controller had not implemented appropriate technical and organizational measures to protect personal data, which facilitated such a breach.

French Data Protection Authority fined Clearview AI EUR 5,200,000 for insufficient cooperation with supervisory authority.  [LINK](#)

The violation: the controller had previously been fined EUR 20,000,000 by the French DPA due to unlawful collection of personal data and was ordered to become compliant with data protection laws within two months. Due to the controller's failure to resolve this in time, the company was fined an additional EUR 5,200,000.

Romanian National Supervisory Authority for Personal Data Processing fined Libra Internet Bank SA EUR 11,000 for insufficient fulfilment of data subjects rights  [LINK](#)

The violation: following a complaint from a data subject, the Romanian DPA found that the bank had not fully fulfilled the individual's request for information. Additionally, the bank failed to inform the data subject about the option to file a complaint with the DPA, and it could not demonstrate its efforts in enabling the exercise of data subject rights.



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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





Instructions for Financial Market Participants on the Implementation of International Sanctions



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The Bank of Lithuania has issued instructions for the financial market participants on the implementation of international sanctions. 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.

The Instructions do not describe in detail what data must be screened, the type and amount of screened data depends on the type of FMP, type of transaction, etc. However, the Instructions provide general guidance on who must be screened:

- Customers, counterparties, financial institutions involved in the transaction or in its execution (e.g. correspondence relations) and other persons involved (e.g. beneficial owners)
- FMP service providers, business partners, intermediaries (this includes office space providers, coffee providers, etc.)
- FMP shareholders and managers (also new employees)
- Whether the transactions of the FMP / its clients are outside the scope of international sanctions.

The Instructions come into force on 2023-09-01.

Bank Association of Lithuania: Regarding Evasion of Sanctions



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The Bank Association of Lithuania has issued a letter to the Lithuanian authorities regarding a substantial increase of sanction evasion/circumvention schemes and their typologies, which includes Lithuanian entities. The Bank Association has noticed some cases when customers do not have or hide information on the goods and / or purpose of goods, related documentation are possibly falsified. One of the most common suspicious activities – goods that are sanctioned in Russia suddenly become in demand by buyers from newly established companies in the CIS or other countries, when historically such goods were usually not imported by buyers from those countries. When the customers are asked questions about such transactions, they become hostile because of the detailed bank investigations.

The Bank Association has performed an analysis of publicly available data and found that export of sanctioned goods has increased in Kirgizia, Kazakhstan, Sakartvelo, Tajikistan, Uzbekistan, Azerbaijan, Turkey, Serbia and Armenia.

Information for traders: customs authorities strengthen from 5 June controls on exports of sanctioned goods to third countries



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The Customs of the Republic of Lithuania informs that in response to the atypical increase in trade with individual third countries and in order to prevent possible circumventions of sanctions, from 5 June 2023 the Lithuanian customs authorities are strengthening controls on goods, which are subject to export prohibitions and restrictions, and which are exported to third countries via the Russian Federation and/or Belarus or transited through these countries.

In the absence of the required evidence or delay in their submission to the Lithuanian customs authorities, the goods will not be released from the European Union and the examination of the circumstances of their carriage may take longer and cause undesirable downtime of means of transport.



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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



OFAC Settles with Poloniex, LLC for \$7,591,630 Related to Apparent Violations of Multiple Sanctions Programs



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The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has settled with Poloniex, LLC ("Poloniex"). Poloniex agreed to remit \$7,591,630 to settle its potential civil liability for apparent violations of sanctions against Crimea, Cuba, Iran, Sudan, and Syria. Between January 2014 and November 2019, the Poloniex trading platform allowed customers apparently located in sanctioned jurisdictions to engage in crypto transactions, consisting of trades, deposits, and withdrawals – with a combined value of \$15,335,349, despite having reason to know their location based on both Know Your Customer information and IP address data.



05.2023

BoL news feed



The Bank of Lithuania, at the request of the academic community, starts publishing primary open survey data. The first open survey on payment habits of the Lithuanian population.

Our recommendation:

Open survey results on payment habits of the Lithuanian population provide financial institutions with valuable insights that can guide market research, product development, risk assessment, marketing strategies, and fraud prevention efforts. By leveraging this information, financial institutions can better understand their customers, tailor their offerings, and enhance overall business performance.

BoL news feed



Fraudsters began targeting coin collectors.

The Bank of Lithuania is recording cases counterfeit LTL 500 gold coin dedicated to the Palace of the Grand Dukes of Lithuania.

Our recommendation:

To avoid counterfeit collector coins, it is important to educate yourself about the specific coins you want to collect. Research their designs, specifications, and unique features. Additionally, be sure to buy from reputable sources such as well-known coin dealers, auction houses, or trusted online marketplaces. Authenticating coins through professional grading services or trusted experts can provide added assurance. Before making a purchase, verify the credentials and reputation of the seller. When inspecting a coin, closely examine its quality, consistency, and details. Reference materials, such as coin catalogues and online resources, can help you cross-reference information and detect counterfeits. Exercise caution when encountering deals that seem too good to be true. Trust your instincts and seek advice when in doubt. Lastly, if you come across a suspected counterfeit coin, report it to the appropriate authorities to protect other collectors and combat counterfeiting.

BoL F.A.Qs.



The Bank of Lithuania issued F.A.Q. on procedure differences when The Bank of Lithuania handles complaints and disputes.

Our recommendation:

Familiarizing with the differences between complaint handling and dispute handling procedures that BoL carries out enables adoption on tailored approaches, allocate resources efficiently, ensures legal compliance, manage stakeholders effectively, drive continuous improvement, and mitigate risks. These benefits collectively contribute to a more effective and efficient resolution of complaints and disputes, resulting in improved customer satisfaction, reduced legal exposure, and enhanced business reputation.





European Commission: Antitrust: Commission adopts new Horizontal Block Exemption Regulations and Horizontal Guidelines



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The European Commission adopted revised Horizontal Block Exemption Regulations on Research and Development ('R&D') and Specialization agreements ('HBERs'), accompanied by revised Horizontal Guidelines On 1st of June. The revisions shall enter into force on the 1st of July 2023, while the Guidelines will do so following their publication in the Official Journal of the EU.

The revised rules introduce these main changes:

- Expands the scope of the Specialisation Block Exemption Regulation to cover more types of production agreements concluded by more than two parties.
- Increase clarity and flexibility as regards the calculation of market shares for the purpose of applying the R&D Block Exemption Regulation and include guidance on how to apply it.
- Expand and clarify the chapter of the Guidelines on Purchasing Agreements to reflect recent case practice.
- Expand the chapter of the Guidelines on Commercialisation Agreements to include a new section on bidding consortia and guidance on distinction with bid rigging.
- Restructure and expand the chapter of the Guidelines on Information Exchange reflecting the latest case law and enforcement experience.
- Amend the chapter of the Guidelines on Standardisation Agreements to offer greater flexibility regarding the requirement of open participation in the standard-setting process.
- A new chapter to the Horizontal Guidelines covering Sustainability Agreements to clarify that the antitrust rules do not stand in the way of agreements between competitors that pursue a sustainability objective.

Our recommendation:

We recommend assessing the compatibility of the horizontal cooperation agreements, if any, with updated EU competition rules. As well, to implement a process at the Company how to assess various common types to avoid infringements with EU competition regulation.

It is recommended that companies take actual measures to avoid infringements. The Guidelines can be of particular help in avoiding infringements with EU competition regulation as they provide guidance on how to interpret and apply the HBERs and more broadly on how to assess various common types of horizontal cooperation agreements. This includes R&D and specialisation agreements that do not meet the conditions of the HBERs, but also purchasing, commercialisation, standardisation and standard terms agreements, as well as exchanges of information.

