REGULATORY COMPLIANCE UPDATE

AML/CTF REGULATION

01.2025

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The Public Sector Fraud Authority

LINK

On January 13, 2025, the Public Sector Fraud Authority (PSFA) in the United Kingdom published updated guidance for Enterprise Fraud Risk Assessments (EFRA). This guidance offers crucial insights for practitioners managing fraud risks, particularly in light of increasing regulatory scrutiny on anti-fraud measures. A year earlier, on January 16, 2024, the Bank of Lithuania issued fraud prevention guidelines recommending financial market participants to conduct EFRA annually.

The PSFA guidance highlights that EFRA serves as an essential tool for senior management, enabling organisations to identify significant fraud risks and allocate resources to mitigate these risks effectively. The guidance outlines a structured approach to EFRA, which involves organising assessments by schemes, business areas, or cross-cutting themes, documenting areas of uncertainty, specifying fraud risks, and establishing periodic reviews.

Fraud risks must be described in a clear and structured manner, detailing the actor, the action, and the outcome. The guidance emphasizes the importance of basing assessments on solid evidence, treating EFRA as a continuous process, using a tailored scoring matrix specific to the organisation, and ensuring that fraud risk experts conduct the assessments.

Additionally, it recommends maintaining a comprehensive fraud risk register to underpin the EFRA, ensuring that all identified risks are documented and tracked for accountability and effective management. This guidance is a vital resource for organisations aiming to strengthen their fraud prevention measures and align with best practices.

The Bank of Lithuania

LINK

The Bank of Lithuania has announced plans to organize 13 consultative events in 2025, focusing on regulatory practice and innovations in the financial market. These events, shaped by feedback from market participants, will address key topics, including the application of recent international legislation, risk management, and lessons learned from inspections. Notable areas of focus include regulatory innovations such as the DORA and the Solvency II Directive.

The events will also highlight common deficiencies identified in inspections, best practices, administrative agreements, dispute and complaint handling, and payment services. The Bank of Lithuania encourages feedback during these sessions to support the principles of proportionality and risk-based supervision, improve legislation, and enhance day-to-day supervision.

All consultative events will be held remotely, broadening the accessibility and participation of financial market stakeholders. The next event will cover the DORA Regulation and major ICT-related incident reporting, scheduled for February 4, 2025.

The Bank of Lithuania

LINK

The Bank of Lithuania has announced its 2025 inspection plan, comprising up to 30 inspections and visits focused on ensuring compliance with AML/CTF and internal control requirements. These inspections, based on risk-based supervision, aim to enhance transparency and cooperation with financial institutions.

The plan includes audits of 5 electronic money and payment institutions, 2 insurance companies, 3 banks, 1 credit union and 12 entities for AML/CTF compliance. Additionally, visits will address operational and IT risks, as well as internal governance practices. Unannounced inspections and joint reviews with the European Central Bank may also be conducted.

Publishing the inspection plan in advance encourages institutions to address potential risks proactively, supporting smoother collaboration and strengthening market resilience.

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

Our recommendations and details are in this file

REGULATORY COMPLIANCE UPDATE

EMI, PI REGULATION

01.2025

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Transition to direct participation model in CENTROlink

LINK LINK

Key upcoming changes:

- From 09 04 2025 Euro system central banks (including Bank of Lithuania) will not offer safeguarding accounts to non-bank PSPs.
- After 09 04 2025 all participants (migrated and not migrated) will no longer be allowed to hold unlimited liquidity funds in CENTROlink FU and FU Inst accounts

  Bank of Lithuania does not anticipate any technical changes that would be required to continue processing payments.
- Technical changes may be necessary to ensure smooth limits and liquidity management.

Our recommendation:

These changes may result in the need for additional own capital to ensure liquidity. Please get acquainted with the upcoming changes. We are glad to present the upcoming changes and provide frther consultations, if required.

Event by the Bank of Lithuania

LINK

The recent event organized by the Bank of Lithuania focused on the implementation of the CENTROlink Verification of Payee (VoP) service, providing valuable insights into its role within the European Instant Payment Regulation framework. As the European Commission's mandate for implementing VoP by October 2025 approaches, the session highlighted essential updates and next steps for payment service providers (PSPs).

Key Takeaways from the Event:

VoP Service Mandate: Effective October 9, 2025, participation in the VoP service will be mandatory for all SCT and/or SCT INST scheme participants.

Choice of Provider: CENTROlink offers a solution, and as a PSP, you have the flexibility to choose between CENTROlink or other providers.

Eligibility: The CENTROlink VoP service is available exclusively to existing CENTROlink participants.

Collaborative Solution: CENTROlink is offering an integrated VoP solution in collaboration with EBA Clearing.

Matching Responsibility: EBA Clearing will be responsible for matching VoP requests.

Upcoming Documentation: In April, we will share detailed technical documentation, as well further information and formal documents for joining the CENTROlink VoP service.

Questionnaire for participants: soon the Bank of Lithuania will share with you the questionnaire to gain feedback about your plans for participation in BoL VoP service.

Announcement by the Bank of Lithuania

LINK

The Bank of Lithuania has entered into its first administrative settlement with the insurance company ERGO Life Insurance SE, imposing the mildest possible sanction.
Following the procedures for administrative settlements, ERGO Life Insurance SE approached the Bank of Lithuania to establish such an agreement. The supervisory authority considered the nature of the violations and mitigating circumstances, including the company's acknowledgment and rectification of the breaches, as well as the implementation of measures to prevent future occurrences. Consequently, a decision was made to conclude the settlement.

The administrative settlement framework, effective since November 2024, allows financial market participants to seek compromises with the Bank of Lithuania during the enforcement process.

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

PERSONAL DATA PROTECTION AND ICT REGULATION

ECOVIS ProventusLaw

01.2025

DORA: The Regulation applied from 17 January 2025

LINK

The DORA is a comprehensive EU regulation that establishes a unified framework for Information and Communication Technology (ICT) risk management in the financial sector. It came into force on January 16, 2023, and financial entities must comply with its requirements from January 17, 2025.

DORA consists of requirements in five main areas:

- ICT risk management.
- ICT incident reporting.
- Digital operational resilience testing.
- ICT third-party risk management.
- Information intelligence and sharing.

First rules of the Artificial Intelligence Act are now applicable

LINK

On February 2, 2025, six months after the entry into force of the EU Artificial Intelligence Act (AI Act), certain provisions, specifically Chapter I (General Provisions) and Chapter II (Prohibited AI Practices), will become applicable. This marks a critical early enforcement phase, setting the foundation for AI regulation in the EU.

VDAI and ŽEIT Now Publish Their Decisions Publicly

LINK

VDAI (State Data Protection Inspectorate) and ŽEIT (Journalists' Ethics Inspectorate) Now Publish Their Decisions Publicly.
The State Data Protection Inspectorate (VDAI) and the Journalists' Ethics Inspectorate (ŽEIT) have started publicly publishing their decisions regarding personal data processing violations.

Italy Issued First GenAI Fine of €15 Million Alleging GDPR Violations

LINK

At the end of 2024, Italy's data protection authority, Garante, imposed a 15 million EUR fine on OpenAI, the company behind ChatGPT, for significant violations of the General Data Protection Regulation (GDPR).Key violations:
Lack of transparency: Users were not provided with clear information on how their personal data was collected and processed.
Inadequate legal basis: Data was processed without valid consent or legitimate interest.

Guidelines on Pseudonymisation

LINK

The EDPB has published Guidelines 01/2025 on Pseudonymisation for public consultation.
The GDPR introduces the term "pseudonymization" and identifies it as an appropriate and effective measure to fulfill data protection obligations. In its guidelines, the EDPB clarifies the definition of pseudonymization and pseudonymized data, their application, and the benefits of pseudonymization.

Employment Service fined for GDPR violations

LINK

The State Data Protection Inspectorate (SDPI) has fined the Employment Service under the Ministry of Social Security and Labour of the Republic of Lithuania 9,000 EUR for personal data security violations.

The SDPI initiated an investigation in July 2024 after receiving a report from the Employment Service about a personal data security breach, during which personal data of 29,636 data subjects was unlawfully disclosed. The Employment Service informed that due to an employee's human error, an Excel document containing client personal data was attached to an email. The email was sent to 292 clients of the Employment Service.

Detailed and full Regulatory Compliance update on PERSONAL DATA PROTECTION and ICT Regulation can be found here:

Our recommendations and details are in this file

REGULATORY COMPLIANCE UPDATE

FINANCIAL AND ECONOMIC SANCTIONS 01.2025

ECOVIS ProventusLaw

The European Council of the European Union

LINK

The EU has sanctioned 3 Russian individuals for cyberattacks against Estonia in 2020, carried out by GRU Unit 29155. These attacks targeted government ministries, stealing classified data and compromising security. Unit 29155 is also linked to similar actions against other EU states and Ukraine, as well as destabilizing activities such as assassinations and bombings.

The sanctions include asset freezes, travel bans, and restrictions on EU entities providing funds. This reflects the EU's commitment to countering cyber threats, under frameworks established in 2017 and 2019, and reinforced by recent measures against Russia's hybrid tactics. Legal acts have been published in the EU Official Journal.

The U.S. Department of the Treasury

LINK

On January 10, 2025, the U.S. Department of the Treasury imposed sanctions on Russia's energy sector under E.O. 14024, targeting major oil producers Gazprom Neft and Surgutneftegas, 183 oil vessels, and opaque traders involved in illicit oil exports. U.S. petroleum services related to Russian crude oil production were also prohibited under E.O. 14071, effective February 27, 2025.

These measures, coordinated with the UK, aim to reduce Russia's energy revenues used to fund its war in Ukraine. Additional sanctions target oilfield service providers and senior Russian energy officials.

The European Council of the European Union

LINK

The Council of the European Union has extended its economic restrictive measures against the Russian Federation for an additional six months, until 31 July 2025, in response to Russia's ongoing actions destabilizing Ukraine. Initially introduced in 2014, these measures were significantly expanded following Russia's unprovoked and illegal military aggression against Ukraine in February 2022.

The sanctions encompass a wide range of sectoral restrictions, including trade, finance, energy, technology, dual-use goods, industry, transport, and luxury items. Key measures include a ban on seaborne crude oil and certain petroleum product imports from Russia, the exclusion of several Russian banks from the SWIFT system, and the suspension of broadcasting activities of Kremlin-backed disinformation outlets within the EU.
Additional provisions target the circumvention of these sanctions. Given Russia's ongoing violations of international law, particularly the prohibition on the use of force, the EU considers it necessary to maintain and, if required, strengthen these measures.

The Council reaffirms its support for Ukraine's sovereignty and territorial integrity, as reiterated in the European Council's conclusions of 19 December 2024, and underscores its commitment to providing Ukraine with sustained political, financial, humanitarian, and military assistance.

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

Our recommendations and details are in this file

REGULATORY COMPLIANCE UPDATE

CONSUMER PROTECTION

01.2025

ECOVIS ProventusLaw

The European Commission

EU's New Electricity Market Design Rules Take Effect: Member States Must Implement Consumer-Focused Changes **LINK**

The European Union has reached an important milestone in its energy market reform with today's deadline for the implementation of the new Electricity Market Design rules (Directive EU/2024/1711). This reform, developed in response to recent energy price volatility, requires Member States to transpose key consumer protection measures into national law. The changes aim to create a more stable energy pricing framework that reduces dependence on fossil fuel prices and improves consumer protection.

The reform introduces significant changes to the way electricity markets operate, with a strong focus on making renewable energy more accessible and prices more predictable. This initiative is in line with the EU's broader energy transition goals and precedes the expected Clean Industrial Deal. Key changes include measures to reflect the lower cost of renewable energy in consumer bills, expanded contract options, and improved protection for vulnerable consumers.

Our Recommendation:

Consider long-term fixed-price contracts for price stability, and investigate opportunities for energy sharing within your community, especially if you live in multi-tenant buildings. For those interested in renewable energy, now is an opportune time to explore options for participating in energy sharing schemes or installing solar panels, as the new framework makes these options more accessible and financially viable.

The Bank of Lithuania

LINK

The Bank of Lithuania Updates Supervisory Policy with Focus on Consumer Protection and Market Transparency

The Bank of Lithuania has updated its Financial Market Supervision Policy, effective January 1, 2025, with a stronger focus on consumer protection and enhanced communication with financial market participants. The policy aims to ensure fair treatment of consumers, guide financial institutions on legal requirements, and promote a risk-based supervision approach. It emphasizes transparency in financial product development and distribution and continues to prioritize the prevention of money laundering and terrorist financing.

The central bank has introduced measures for enforcement, including a framework for administrative settlement agreements, and maintains a strong emphasis on licensing reliable market participants. Additionally, the policy supports innovation while ensuring compliance with existing regulations.

Our Recommendation:

Financial institutions should align with the updated policy, focusing on consumer protection, regulatory compliance, and engagement with The Bank of Lithuania for guidance. Institutions should also ensure their innovations meet current legal standards while being prepared for stricter supervision.

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

Our recommendations and details are in this file

info@proventuslaw.lt

REGULATORY COMPLIANCE UPDATE

EMPLOYMENT

01.2025

ECOVIS ProventusLaw

Order of the Chief State Labor Inspector On approving the description of measures for preventing violence and harassment at work No. EV-221

LINK

A description of measures to prevent violence and harassment at work, approved by a decree of the Chief State Labour Inspector of the Republic of Lithuania, has entered into force. description is intended to implement the provisions of Article 30(4) of the Labour Code on preventing violence and harassment at work. It sets out a list of necessary preventive measures to reduce the risks of violence and harassment at work, their impact on employees, and the procedures for implementing these measures. The following obligations are imposed on employers:

- **Implementation of the prevention policy.** Employers are obliged to develop and implement a clear policy on the prevention of violence and harassment.
- **Training for employees.** Provide regular training to employees on the prevention and recognition of violence and harassment.
- **Reporting system.** Ensure that an anonymous reporting system is in place where employees can report incidents of violence or harassment.
- **Investigation procedures.** Establish clear procedures for investigating reports of violence or harassment.
- **Psychological support.** Provide psychological support to employees who are victims.
- **Liability for violations.** Ensure that appropriate action is taken against employees who violate the prevention policy.

The Lithuanian Supreme Administrative Court ruling, Case No. eA-1046-1188/2025

LINK

The Lithuanian Supreme Administrative Court has issued a ruling concerning the requirements for issuing temporary residence permits (EU Blue Cards) to foreign nationals intending to work in high-skilled professions in Lithuania.

The Court has reinforced that foreign nationals holding temporary residence permits must continue to meet the specific conditions outlined in the law throughout the validity of their permit. The applicant's failure to meet the salary requirements—due to unpaid leave—was considered a systematic violation of the law, leading to the revocation of the residence permit.

Detailed and full Regulatory Compliance report on Employment Law can be found here:

Our recommendations and details are in this file

info@proventuslaw.lt

REGULATORY COMPLIANCE UPDATE

CRYPTO

01.2025

ECOVIS ProventusLaw

The Bank of Lithuania

LINK

As of 30 December 2024, the Bank of Lithuania is accepting applications for cryptocurrency service provider licences under the MiCA Regulation. Despite prior announcements, no applications have been received. Companies must apply promptly, as only licensed providers may operate after the transition period ends on 1 June 2025.

The Bank of Lithuania has strengthened its licensing team and set clear requirements for applicants, focusing on regulatory knowledge, operational standards, and risk management. Strict scrutiny will be applied to shareholder reputation, fund transparency, and managerial qualifications. Licences will not be granted to shell companies or those providing incomplete or misleading information.

The European Securities and Markets Authority (ESMA)

LINK

The European Securities and Markets Authority in its capacity as the financial markets regulator and supervisor of the European Union, has issued a formal statement reinforcing its position on the offering of ARTs and EMTs, commonly referred to as stablecoins, within the EU under the MiCA Regulation. The statement provides detailed guidance on the expected compliance timeline for CASPs concerning the regulatory requirements set forth in Titles III and IV of MiCA, as further clarified by the European Commission in its Q&A. National Competent Authorities (NCAs) are required to ensure that CASPs achieve compliance with these provisions in relation to non-compliant ARTs or EMTs at the earliest opportunity, and no later than the conclusion of the first quarter of 2025. The objective of ESMA's statement is to facilitate coordinated regulatory enforcement at the national level and mitigate any potential market disruptions.

Additionally, the European Commission has published a Q&A document providing further guidance on the obligations imposed by Titles III and IV of MiCA, specifying their applicability to CASPs. The Q&A clarifies that certain crypto-asset services may constitute an offer to the public or an admission to trading within the EU and must therefore adhere to the requirements established under Titles III and IV of MiCA.

The European Securities and Markets Authority

LINK

On January 31, 2025, the European Securities and Markets Authority (ESMA) issued a Supervisory Briefing to guide National Competent Authorities (NCAs) in the authorisation of CASPs under MiCA. All CASPs, regardless of size, will face strict governance and compliance requirements, with heightened scrutiny for those managing over one million users or €3 billion in assets.

CASPs must establish real decision-making power, maintain a physical presence in the EU, and have at least one executive based in the licensing country. Remote leadership is not permitted, and the CEO must be fully dedicated to their role. Strict limitations apply to outsourcing, particularly for risk management, compliance, and AML, with suboutsourcing arrangements subject to extensive oversight. Business models combining multiple CASP services or issuing proprietary tokens will face additional regulatory review.

CASPs must provide detailed, stress-tested financial projections for three years and notify regulators 40 days before launching services. Past regulatory infractions, even outside the EU, will be thoroughly examined, requiring firms to demonstrate corrective measures. ESMA's guidance reinforces a harmonized regulatory framework, ensuring transparency, accountability, and strict compliance across the sector.

Detailed and full Regulatory Compliance report on Crypto Regulation can be found here:
Our recommendations and details are in this file