REGULATORY COMPLIANCE UPDATE

EU WHISTLEBLOWING DIRECTIVE

ECOVIS ProventusLaw

Whistleblowing Directive Implementation

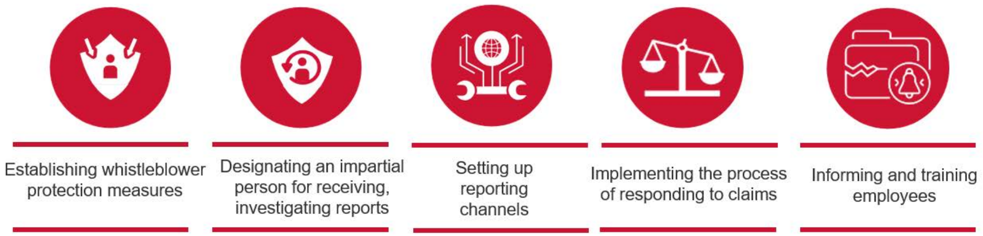
LINK

The EU Whistleblower Directive is mandatory for all organisations with more than 50 employees. **For financial institutions this legislation is mandatory regardless of number of employees** and is designed to protect individuals who report breaches of EU law. It establishes minimum standards for reporting mechanisms and safeguards against retaliation for whistleblowers across the European Union, thereby bolstering Environmental, Social, and Governance (ESG) principles. This directive underscores transparency, accountability, and responsible conduct, aligning with broader ESG objectives to promote sustainable and ethical business practices across the European Union and beyond.

This Directive introduces several key provisions, including:

1. Scope: The directive covers many areas where EU law applies, including public procurement, financial services, product safety, environmental protection, public health, consumer protection, and more.
2. Reporting Channels: Member states and certain private entities must establish secure and confidential reporting channels for whistleblowers. These channels must be easily accessible and capable of handling reports effectively.
3. Protections: The directive prohibits retaliation against whistleblowers, including dismissal, demotion, harassment, and discrimination. It also requires member states to provide effective remedies for whistleblowers who experience retaliation.
4. Confidentiality: Whistleblowers' identities must be kept confidential throughout the reporting process unless disclosure is necessary for investigation or legal proceedings.
5. Follow-Up: Once a report is submitted, the relevant authorities or organisations must acknowledge receipt and provide feedback to the whistleblower within a reasonable timeframe.

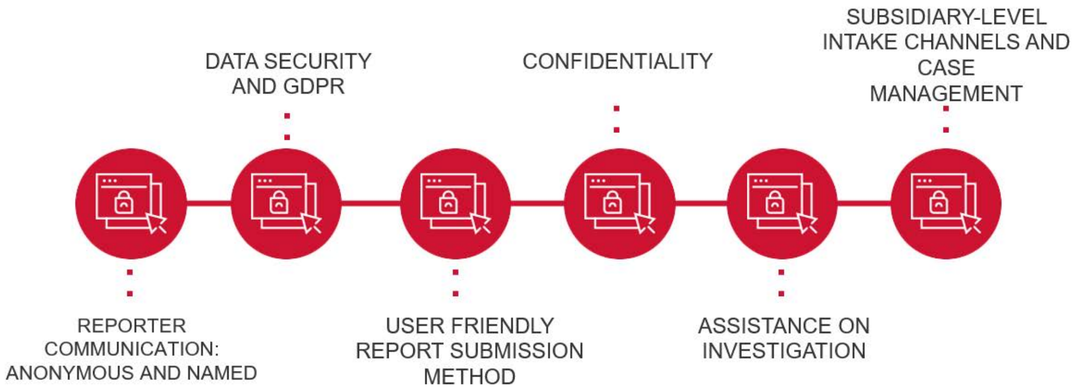
Under the EU Whistleblower Directive, organisations must establish secure and confidential reporting channels for whistleblowers. The reporting process is designed to ensure the protection of whistleblowers and the effective handling of reports of wrongdoing.



WHISTLEBLOWING SOLUTION BY ECOVIS
Outsourcing solution for companies

LINK

Ecovis provides a whistleblowing system as an outsourced channel for companies, ensuring compliance with the EU Whistleblower Directive. Our service offers a convenient solution, as we provide secure and confidential reporting channels that meet the directive's standards. By entrusting the handling of whistleblower reports to us, companies can streamline the reporting process, enhance transparency, and mitigate the risk of internal bias or conflict of interest. This allows organisations to focus on their core activities while effectively managing whistleblowing cases.



Discover how Ecovis Whistleblowing's outsourced system ensures confidentiality and data security in accordance with directive standards while offering two flexible options for companies:

Option 1: Utilize our system solely as a reporting channel, receiving all reports directly without our involvement in the initial investigation process.
Option 2: Entrust us to handle the investigation process as well.

Whether companies require a reporting channel only or a comprehensive investigative service, Ecovis Whistleblowing provides a reliable solution tailored to their needs, fostering transparency and compliance with the EU Whistleblower Directive. Contact us at vilnius@ecovis.lt, and we will ensure compliance with the Whistleblowing Directive tailored to your specific situation and available resources.

REGULATORY COMPLIANCE UPDATE

AML/CTF REGULATION 06.2024

ECOVIS ProventusLaw

The EBA welcomes the entry into force of the framework establishing the anti-money laundering and countering the financing of terrorism authority

LINK

The European Banking Authority (EBA) has announced the launch of a comprehensive EU framework to change the way Europe fights money laundering and terrorist financing. This important development includes the establishment of a new Anti-Money Laundering and Counter-Terrorist Financing Authority (AMLA), which marks a key moment in the EU's efforts to strengthen its defences against financial crime.

Since 2020, the EBA has taken the lead in coordinating and overseeing the financial sector's battle against money laundering (ML) and terrorist financing (TF) within the EU. The introduction of this new legislative framework represents a crucial advancement, featuring a unified and standardized AML/CFT rulebook, alongside the creation of AMLA as a dedicated EU authority tasked with combating financial crime.

To ensure a seamless transition and maintain operational continuity, the EBA will continue to wield its AML/CFT powers and responsibilities until December 2025. Beyond this period, the EBA will collaborate closely with AMLA, focusing on transferring specific AML/CFT powers while retaining oversight of ML/TF risks within its prudential scope.

On Approval Of The Description Of Unacceptable Risk Criteria For Potential And Existing Holders Of Addressable Bic In The Payment Systems Of The Bank Of Lithuania

LINK

To ensure the stability, reliability, and efficiency of its payment systems, the Bank of Lithuania has established specific criteria for identifying unacceptable risks associated with potential and existing addressee BIC holders.

The transformative power of AI in fighting financial crime

LINK

In response to escalating financial crimes, financial institutions are increasingly turning to innovative artificial intelligence (AI) technologies to bolster their Anti-Money Laundering (AML) compliance efforts. According to Flagright, AI-native solutions are revolutionizing AML processes by integrating real-time data analysis, pattern identification, and reducing false positives.

Instructions on increasing access to financial services and financial inclusion approved by a resolution of the Board of the Bank of Lithuania

LINK

The Board of the Bank of Lithuania adopted Resolution No 03-81 approving the Guidelines on Increasing Access to Financial Services and Financial Inclusion. These instructions are prepared in accordance with the provisions of the Law on the Bank of Lithuania and will enter into force on 1 January 2025.
The Guidance sets out the obligations of financial market participants (credit institutions, electronic money institutions and payment institutions) to effectively manage and mitigate the risks of money laundering and terrorist financing. This includes measures related to the provision of basic payment account services under the Law on Payments.

The guidelines have been developed in line with the European Banking Authority's guidelines on money laundering and terrorist financing risk management policies. They oblige financial market participants to put in place appropriate policies and controls to ensure that customers are not unreasonably excluded from financial services on the basis of risk assessment.

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

Our recommendations and details are in this file

info@proventuslaw.lt

REGULATORY COMPLIANCE UPDATE

ECOVIS ProventusLaw

EMI, PI REGULATION

06.2024

Ecovis ProventusLaw DORA services

LINK

The Digital Operational Resilience Act (DORA) is a EU regulation that entered into force on 16 January 2023 and will apply as of 17 January 2025.
Ecovis ProventusLaw started providing services that include:

- Assessing your current security posture and compliance level with the DORA
- Identifying the gaps and risks in your network and information systems, and providing recommendations for improvement
- Designing and implementing security policies, procedures, and controls that meet the DORA requirements
- Providing training and awareness programs for your staff and stakeholders on the DORA obligations and best practices
- Assisting you in reporting incidents and breaches to the relevant authorities and stakeholders
- Preparing you for audits and inspections by the competent authorities and providing support during the process
- Helping you manage and mitigate the impact of any sanctions or enforcement actions.

If you need assistance ensuring compliance with the Digital Operational Resilience Act (DORA) and strengthening your IT security, Ecovis ProventusLaw is ready to assist you in any matter related to DORA regulation.
We invite you to complete the DORA Regulation Compliance Questionnaire. This questionnaire helps us to understand your level of DORA compliance. Your participation will provide insights and feedback on your compliance practices and challenges regarding the DORA Regulation.

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

LINK LINK

UAB International Payment Union has breached the rules by failing to provide relevant information in time.

The Bank of Lithuania, having assessed the results of the targeted unscheduled inspection of UAB International Payment Union and the explanations of the institution, found that the institution failed to notify the Bank of Lithuania of changes in data and information within the established procedures and deadlines.

Decisions of Supreme Administrative Court of Lithuania

LINK

On 19 June 2024, the Supreme Administrative Court of Lithuania (SACL) issued a ruling on in dispute between the applicant UAB ABC Projektai and the defendant Bank of Lithuania (BoL). ABC Projektai, a private limited liability company (UAB), lodged a complaint against the Bank of Lithuania. The complaint sought the annulment of the Bank's Resolution No 03-50 dated 16 April 2020, which revoked the payment institution license issued to Bruc Bond.
The Supreme Administrative Court partially satisfied the company's appeal, modifying the imposed measure to a temporary suspension of the license until 1 July 2024 instead of a complete revocation of the license.

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

LINK LINK

The Bank of Lithuania has found that the Electronic Money Institution KogoPay UAB did not adequately safeguard customer funds. The company had stored the funds not in a credit institution, but in another electronic money institution and thus violated the Law on Electronic Money and Electronic Money Institutions. Furthermore, KogoPay UAB failed to approve the annual accounts and to decide on the allocation of profits (losses) within the time limits laid down by law and failed to submit the supervisory report on time. The institution acknowledged the breaches and took action to remedy them. Taking into account all the circumstances, the Bank of Lithuania imposed a fine of 30 000 EUR on KogoPay UAB.

Bank of Lithuania financial market supervision decisions

LINK

Licence for electronic money institution issued to NS Pay UAB.

If you need assistance in obtaining a licence for an electronic money institution, Ecovis is ready to help you.

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

Our recommendations and details are in this file

info@proventuslaw.lt

REGULATORY COMPLIANCE UPDATE

PERSONAL DATA PROTECTION REGULATION 06.2024

ECOVIS ProventusLaw

Spain: AEPD fines CUI ZSQ Food €70,000 for unlawful dissemination of surveillance footage

On June 20, 2024, the Spanish data protection authority (AEPD) published its decision in Proceeding No. PS-00435-2024 in which it imposed a fine of €70,000 on CUI ZSQ Food, S.L. (CUI ZSQ), which was subsequently reduced to €42,000, for violations of the General Data Protection Regulation (GDPR) following a complaint.

The Supreme Administrative Court reduced the fine imposed on VASA for breach of GDPR

LINK

The State Data Protection Inspectorate imposed a €12,000 fine on "Vilnius Waste System Administrator" (VASA) for failing to ensure the accuracy of an individual's real estate data, violating GDPR provisions. This decision followed an investigation into a complaint that VASA had not updated property data, leading to an incorrect payment notification being sent 20 days after the data changed in the Real Estate Register.

Using ChatGPT at work: a tool for employee productivity or a source of additional risk for the employer?

In recent years, artificial intelligence (AI) has become one of the fastest-growing and most influential technologies globally. More companies are integrating AI into their daily operations, adapting to market changes, and creating new business opportunities.

Meta Faces Complaints Over AI Data Use

LINK

Meta, owner of Facebook and Instagram, is using data from European users to train its AI systems, following in the footsteps of Google and OpenAI. This has prompted Austrian privacy group NOYB to file complaints in eleven EU countries. The complaints arise from Meta's updated privacy policy, which seeks to use all public and non-public user data, except for chats and content from under-18s, to train its AI technologies like Llama and Meta AI assistant.

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

Our recommendations and details are in this file

info@proventuslaw.lt

REGULATORY COMPLIANCE UPDATE

FINANCIAL AND ECONOMIC SANCTIONS 06.2024

ECOVIS ProventusLaw

Information on frozen funds in Lithuania

LINK

Pursuant to Council Regulation (EU) No 269/2014 of 17 March 2014 concerning restrictive measures to be applied in view of the actions of Russia undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, 11 legal persons are subject to financial sanctions in Lithuania on the basis of links through ownership or control.

The total amount of frozen funds in the accounts of these persons totals more than 23.019 million EUR, more than 707,000 EUR in the accounts of other persons and more than 1.5 million EUR in the accounts of other persons. US dollars.

Activity report issued by FCIS

LINK

On 30 May 2024, the Anti-Money Laundering Board (the Board) of the Financial Crimes Investigation Service (FICIS) issued its 2023 Activity Report, which provides statistics on the implementation of anti-money laundering (AML) measures and highlights of the most important activities in 2023. It should be noted that the FCIS analysis of the notifications received in 2023 from financial institutions and other obliged entities showed a trend towards the use of increasingly sophisticated schemes by legal and natural persons to evade or mitigate the impact of international sanctions. The circumvention of sanctions through the import and/or export of various goods was frequently observed.

The analysis of financial transactions has revealed a number of cases where Lithuanian legal persons whose business is trade and who traded with the Russian Federation and the Republic of Belarus prior to the imposition of sanctions on these countries, have started to set up businesses with new partners in third countries.

Dual U.S.-Russian Citizen Pleads Guilty to Sending Weapon Components to Russia

LINK

A dual U.S.-Russian citizen, Dimitry Timashev, pleaded guilty to conspiracy to violate the Export Control Reform Act by exporting firearm parts, components, and ammunition to Russia without the required authorization. From July 2020 to 2023, Timashev coordinated with a Russian associate to send weapon parts from the U.S. to Russia. In return, the associate paid his daughter's tuition and rent for an apartment in Ekaterinburg.

Russian court seizes Deutsche Bank, Commerzbank assets as part of lawsuit

LINK

On 7 June 2024, a Russian court decision to seize €51.8 million (US$56 million) from the assets of the German bank Landesbank BadenWuerttemberg (LBBW) in a lawsuit related to a cancelled gas project was announced.

Russia's war of aggression against Ukraine: comprehensive EU's 14th package of sanctions cracks down on circumvention and adopts energy measures

LINK

The Council adopted today a 14th package of economic and individual restrictive measures dealing a further blow to Putin's regime and those who perpetuate his illegal, unprovoked and unjustified war of aggression against Ukraine. These measures are designed to target high-value sectors of the Russian economy, like energy, finance and trade, and make it ever more difficult to circumvent EU sanctions. Today's package includes restrictive measures on additional 116 individuals and entities responsible for actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

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

Our recommendations and details are in this file

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BoL newsfeed

LINK

The Bank of Lithuania has observed an increase in fraud activity in the consumer credit sector and warns both credit providers and residents. The bank urges credit providers to implement enhanced measures to prevent fraud and protect consumers. Residents are advised to safeguard their identity verification data and avoid clicking on suspicious links from SMS messages or emails.

The bank has received complaints about two types of fraud: investments in cryptocurrency and phishing. Residents may inadvertently approve consumer credits, transferring money to fraudsters or allowing fraudsters to sign credit agreements in their name. Most victims are solitary elderly individuals or those receiving social benefits. The Bank of Lithuania reminds people not to disclose banking information hastily and not to be tempted by "profitable investments." Residents can use the "STOP consumer credits" service to protect themselves from unwanted credits.

The Bank of Lithuania and financial market participants publish information about fraud methods and protection tips, encouraging people to share this information with their friends and relatives.

Our recommendation:

Implement enhanced fraud prevention measures to strengthen verification processes and monitoring systems. Educate customers on recognizing and avoiding phishing and other scams through clear and frequent communication. Ensure robust security measures to protect customers' identity verification data from unauthorized access. Regularly monitor for unusual transactions and take swift action when suspicious activities are detected. Continuously train employees on the latest fraud prevention techniques and how to handle potential fraud cases.

BoL newsfeed

LINK

The Board of the Bank of Lithuania has established new requirements for financial market participants – banks, credit unions, electronic money and payment institutions – aiming to improve the payment services user experience and ensure the accessibility and financial inclusion of financial services.
The new requirements, which will come into effect at the beginning of next year, require evaluating the individual client situation for money laundering and terrorist financing risk purposes and not applying unreasonable de-risking policies without first considering other risk mitigation measures. Such decisions by financial institutions cannot be automated.
Financial institutions will be required to document decisions to terminate business relationships or refuse to start them and provide this documentation to the Bank of Lithuania upon request. These decisions can only be taken as a last resort. The new requirements also stipulate that decisions must be made within one month, and consumers must be adequately informed about the complaint procedures and their rights. Payment suspensions should last only as long as necessary to manage the risk, and the client must be clearly informed about this.

Our recommendation:

We recommend that financial institutions enhance client assessment procedures with individualized evaluations for money laundering and terrorist financing risks. They should document all decisions related to terminating or refusing business relationships and explore alternative risk mitigation strategies before opting for de-risking measures. Internal processes must ensure that decisions are made within the one-month timeframe stipulated by the new requirements. Clear communication channels should be developed to inform clients about actions taken, reasons, and the duration of payment suspensions, along with their rights and complaint procedures. Regular staff training and robust internal monitoring systems are necessary to ensure compliance and transparency.

REGULATORY COMPLIANCE UPDATE

ECOVIS ProventusLaw

EMPLOYMENT

06.2024

Ministry of the interior of the Republic of Lithuania

LINK

On 20 June 2024, the Parliament of Lithuania adopted amendments to the Law on Employment, making it harder to employ foreigners. Key changes include:

- Employers must have operated in Lithuania for at least 6 months, have no outstanding fines/debts, and no penalties for false data reporting.
- Foreign workers must be employed in the inviting company's field of activity.
- Third-country nationals cannot work under visa-free regimes or visas/residence permits from other EU countries, except for highly qualified workers.
- Foreigners can get a work-based residence permit if qualified and with 1 year of experience in the last 3 years.

The list of missing professions is abolished from 1 January 2025.

- A strict quota of 40,000 foreign workers (1.4% of the population) is introduced from 1 January 2025.
- Employers must hire foreign workers full-time, allowing multi-employer contracts with up to 4 employers.

From 1 January 2025, employers who fail to pay the fixed wage or grant unpaid leave to foreign workers will face a 1-year ban on employing foreigners.

Our recommendation:

When considering the possibility of employing foreigners in Lithuania, we suggest paying attention to the new regulation.

Press release of the State Lobour Inspectorate

LINK

From 1 July 2024, penalties for employing workers illegally will increase. Employers who fail to sign employment contracts or notify 'Sodra' at least one working day before work starts will face fines of EUR 2,772 to EUR 11,088 per worker. Repeat violations will result in fines of EUR 5,544 to EUR 22,176 per worker.

Additionally, from 1 July, employers who commit legal violations will be publicly listed on the VDI website for one to three years from the decision date.

Our recommendation:

- Ensure every employee has a signed employment contract before starting work.
- Notify Sodra at least one working day before an employee begins work.
- Verify if the employee needs a work or temporary residence permit.

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

Our recommendations and details are in this file

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REGULATORY COMPLIANCE UPDATE

ECOVIS ProventusLaw

CRYPTO

06.2024

MiCA regulation - Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (Text with EEA relevance)

LINK

MiCA's requirements regarding asset-referenced tokens (ARTs) and electronic money tokens (EMTs) (stablecoins) has come into force. "Circle" becomes the first company to issue MiCA compliant EMT stablecoins.

MiCA regulation - Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (Text with EEA relevance)

LINK

The EBA published guidelines in relation to ART and EMT issuers' recovery plans ensuring compliance with asset reserve requirements, which apply universally, regardless of the token's significance. Issuers must identify suitable recovery options based on their risk profile and operational environment, ensuring options for capital and liquidity improvement. Additionally, scenarios should be varied to address different shocks. The guidelines aim to prevent inconsistencies with other recovery plans, including those under MiCAR and the Directive 2014/59/EU (BRRD).

EBA, Final Report, Draft Regulatory Technical Standards, on the methodology to estimate the number and value of transactions associated to uses of asset-referenced tokens as a means of exchange under Article 22(6) of Regulation (EU) No 2023/1114 (MiCAR) and of e-money tokens denominated in a currency that is not an official currency

LINK

The EBA publishes its final report on draft RTS in relation to ART and EMT reporting methodologies. Articles 22(1)(d) and 58(3) of MiCAR require issuers of ARTs and EMTs in non-EU currencies to report quarterly transaction estimates to authorities. The EBA has developed draft regulatory technical standards (RTS) to standardize these reports. Changes to the RTS include clarifying transaction scope, limiting geographical scope to single currency areas, and improving data reconciliation processes. Non-custodial wallet transactions are excluded from reporting.

EBA, Final report, draft implementing technical standards on the reporting on asset-referenced tokens under Article 22(7) of Regulation (EU) No 2023/1114 (MiCAR) and on e-money tokens denominated in a currency that is not an official currency of a Member State pursuant to Article 58(3) of that Regulation

LINK

The EBA publishes its final report on ITS in relation to CASP reporting obligations in regard to ARTs. MiCA mandates quarterly reporting for ART issuers on several metrics, including the number of holders, the token's value, reserve size, and transaction data. CASPs must provide necessary data to ART issuers for these reports.

EBA, final report, regulatory technical standards to specify the highly liquid financial instruments with minimal market risk, credit risk and concentration risk under Article 38(5) of Regulation (EU) 2023/1114

LINK

The EBA published regulatory technical standards specifying highly liquid financial instruments with minimal market risk which relate to the reserve assets of ART and EMT issuers.

EBA, final report on draft regulatory technical standards specifying the requirements for policies and procedures on conflicts of interest for issuers of asset-referenced tokens under Article 32(5) of Regulation (EU) 2023/1114

LINK

The EBA published its final report on the draft regulatory technical standards in relation to specifying the requirements for policies and procedures on conflicts of interest for issuers of ARTs. ART issuers are required to implement and maintain effective policies and procedures to identify, prevent, manage, and disclose conflicts of interest.

ESMA Final Report on EBA and ESMA Guidelines for Suitability Assessment of Management and Shareholders in Crypto-Asset Issuers and Service Providers

LINK

ESMA published its final report on joint EBA and ESMA guidelines regarding the assessment of the suitability of the members of the management bodies of ART issuers and CASPs, including the suitability assessment of shareholders and an excel template for the evaluation of collective suitability.

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

Our recommendations and details are in this file