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Lithuania

Progress report[1]

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[1] Second 3rd Round Written Progress Report Submitted to MONEYVAL

Lithuania is a member of MONEYVAL. This progress report was adopted at MONEYVAL's 32nd Plenary meeting (Strasbourg, 15-18 March 2010). For further information on the examination and adoption of this report, please refer to the Meeting Report (ref. MONEYVAL(2010)13) at http://www.coe.int/moneyval

1 General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

Position as at date of last progress report (4 March 2008)

The 3rd round evaluation of Lithuania by MONEYVAL took place from 8 -14 January 2006. The final report was adopted by the MONEYVAL Committee at its 21st Plenary meeting in Strasbourg on 30 November 2006.

The 3rd round detailed assessment report on Lithuania was discussed in the Working group on coordination of activities to fight against money laundering established by the Prime Minister. The competent state institutions were informed about the MONEYVAL report and asked to take into account and implement recommendations provided in the report. It was agreed that recommendations of the MONEYVAL experts will be implemented together with the implementation of provisions of the 3rd EU money laundering directive.

The Parliament (Seimas) adopted the Law on the Prevention of Money Laundering and Terrorist Financing (hereafter – the AML/CFT Law) on 17 January 2008. The AML/CFT Law entered into force on 24 January 2008.

After the adoption of the AML/CFT Law, as well as the 5 Resolutions of the Government of the Republic of Lithuania provided by the Law, the guidelines for the financial institutions and other entities shall be adopted, by which it is sought to preclude money laundering and terrorist financing. Through the above mentioned Law, resolutions of the Government and the guidelines the large part of the recommendations indicated in the MONEYVAL report shall be implemented. One of the resolutions was specially drafted to implement the MONEYVAL recommendations which are not covered by the new Law.

The task of the AML/CFT Law is to amend and specify the provisions of the previous version of the Law on Prevention of Money Laundering, seeking to implement:

1. Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on prevention of the use of the financial system for the purpose of money laundering (OJ L 309, 2005, p. 15).

2. Directive 2005/60/EC of the European of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis (OJ L 214, 2006, p. 29).

3. Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds (OJ L 345, 2005 p. 1).

4. Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community (OJ L 309, 2005, p. 9).

The AML/CFT Law provides new definitions of shell bank, politically exposed persons, family members, close associates, company service providers, the third parties as well as specifies valid definitions of the Law.

New competent authorities under the AML/CFT Law are:

- the Lithuanian Assaying and Hallmarking Laboratory
- the Chamber of Auditors
- the Chamber of Notaries
- the Department of Heritage of Culture under the Ministry of Culture
- the Chamber of Bailiffs

New obligations of financial institutions and other subjects under the AML/CFT Law:

- identify not only the customer, but the beneficial owner as well;
- obtain information on the purpose and intended nature of the business relationship;
- identify the customer and verify the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;
- conduct ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relations;
- keep information about the customer up-to-date.

According to the provisions of the AML/CFT Law subjects apply customer due diligence measures in the following cases:

- before establishing a business relationship;
- before carrying out occasional transactions amounting to EUR 15 000 or more, whether the transaction is carried out in a single operation or in several operations which appear to be linked;
- before foreign exchange operations if the amount of single operation is above EUR 6 000 or it equivalent in foreign currency;
- before carrying out internal and foreign money transfer by post if it is above EUR 600
- there is a suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold;
- there are doubts about the veracity or adequacy of previously obtained customer identification data.

The AML/CFT Law introduces new special customer due diligence procedures:

- simplified customer due diligence (in cases of minor threat of money laundering or financing of terrorism);
- enhanced customer due diligence (in cases of major threat of money laundering or financing of terrorism).

The AML/CFT Law extends of the period of suspension of suspicious and unusual transactions from 48 hours till 5 working days.

The subjects of the AML/CFT AML Law are not liable for the disclosure of information to the FCIS in accordance with the AML/CFT Law.

The disclosure in good faith by the subject or by an employee or director of such subject of the information shall not constitute a breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, and shall not involve the subject or its directors or employees in liability of any kind.

If the subject of the draft Law is unable to identify the customer and the customer does not provide the requested information about the source of the money or property, other additional documents the subject of the draft Law shall terminate the transaction or the business relationship, and shall consider making a report to the Financial Crime Investigation Service (hereafter – the FCIS).

The new obligations of the subjects of the AML/CFT Law:

- ensure participation of their relevant employees in special ongoing training programmes to help them recognise operations which may be related to money laundering or terrorist financing and to instruct them as to how to proceed in such cases;

- establish adequate and appropriate policies and procedures of customer due diligence, reporting, record keeping, internal control, risk assessment, risk management, compliance management and communication in order to forestall and prevent operations related to money laundering or terrorist financing;
- communicate relevant policies and procedures and other requirements of the AML Law where applicable to branches and majority owned subsidiaries in third countries;
- establish adequate internal systems, allowing to react to the inquiries of the FCIS concerning the information provided in the AML Law immediately.

The AML/CFT Law allows exchange of information between the subjects: financial institutions, auditors, accounting undertakings or undertakings providing tax advice services, notaries and persons licensed to perform notarial acts, lawyers and lawyers assistants.

In cases related to the same customer and the same transaction involving two or more institutions or persons, provided that they are situated in a Member State, or in a third country which imposes requirements equivalent to those laid down in the AML/CFT Law, and that they are from the same professional category and are subject to equivalent obligations as regards professional secrecy and personal data protection.

Presently the drafts of the resolutions of the Government have been prepared, which shall regulate the implementation of the AML/CFT Law.

According to the recommendations of the MONEYVAL experts the Parliament (Seimas) adopted the Law on Amendment of Article 3 of the Law on Payments (5 December 2007 No. X-1351). It abolishes the different approach of internal and cross-border payments. This Law entered into force on 15 December 2007.

Regulation (EC) No. 1781/2006 on information on the payer accompanying transfers of funds entered into force from the beginning of 2007 in Lithuania. This Regulation implements requirements of the Special Recommendation VII on wire transfers (SR VII) of the FATF and it's provisions are applicable directly in all the EU member states.

Working group at Ministry of Justice prepared a draft Law on the amendment and supplementation of the Lithuanian Criminal Code which should fully implement recommendations of the MONEYVAL experts. Currently the mentioned draft Law is under discussion. With the request for response the draft Law was sent to a number of state institutions (Ministry of Internal Affairs, Unit of Financial Crimes Investigation Service under the Ministry of Internal Affairs, Prosecutor General's Office, State Security Department) and to scientific institutions (Mykolas Romeris University, Vilnius University, Institute of Law).

The proposed amendments should fully cure shortcomings of the current definition of terrorism financing and fully implement recommendations of the MONEYVAL experts. It is proposed to introduce separate offence of terrorism financing (Art. 2502 of the Criminal Code Code).

New developments since the adoption of the 1st progress report

The Republic of Lithuania has continued the improvement and development of its AML/CFT systems since the MONEYVAL evaluation in 2006 and 1st Progress report in 2008.

SECTION 1. Legal Acts

1. Laws

As stated in the 1st Progress report of Lithuania the Parliament of the Republic of Lithuania (Seimas) (hereinafter – the Parliament) adopted the Law on the Prevention of Money Laundering and Terrorist Financing (hereinafter – the AML/CFT Law) on 17 January 2008 (see Annex I). The AML/CFT Law entered into force on 24 January 2008.

Implementing Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market, in December 2009 Law of the Republic of Lithuania on Payment Institutions was adopted. The purpose of this law is to establish legal conditions for a newly licensed and supervised category of economic entities, namely payment institutions, to provide payment services in the Republic of Lithuania. The Law on Payment Institutions stipulates that supervision of payment institutions is performed by the Bank of Lithuania, and it regulates the activities, licensing, supervision, reorganization, liquidation and bankruptcy procedures and other peculiarities of payment institutions. The Law on Payment Institutions provides for obligations of payment institutions to apply measures of prevention of money laundering and/or terrorist financing.
The AML/CFT Law was amended accordingly and included payment institutions to the list of financial institutions. The provisions of the AML/CFT Law concerning financial institutions are applied for payment institutions accordingly. The AML/CFT Law as well provides that the Bank of Lithuania shall approve guidelines for payment institutions aimed at prevention of money laundering and/or terrorist financing, shall supervise the activities of payment institutions on the prevention of money laundering and/of terrorist financing as well as shall consult payment institutions on the implementation of the guidelines.

The Parliament adopted the Law supplementing Article 41 (1) of the Law on Companies on 15 December 2009. This law (with some exceptions) entered into force on 1 March 2010.
According to the Article 41 (1) of the Law on Companies, private limited liability companies are obliged to draw their shareholders' lists and submit the lists to the Register of Legal Persons (within 5 days from the date of the drawing up of the list). Private limited liability companies, incorporated prior to 1 March 2010, will have to submit their shareholders' list to the Register of Legal Persons not later than 1 October 2010. Whenever data included in the shareholders' list changes, the whole new list has to be submitted to the Register of Legal Persons (within 5 days from the date of the drawing up of the new list).

2. Government Resolutions

After the AML/CFT Law came into force, four Government Resolutions were drafted by FCIS and were adopted by Government, which in details regulate implementation of the AML/CFT Law:

- Resolution of the Government of the Republic of Lithuania On the Approval of the Rules of Keeping the Registers of Monetary Operations Conducted by the Customer as Well as Suspicious and Unusual Operations and Transactions and on Establishing the Criterion Characterizing Major Continuous and Regular Monetary Operations Typical of Customer Activities (Resolution No. 562 of the Government of the Republic of Lithuania of 5 June 2008, hereinafter referred to as "Government Resolution No. 562") (see Annex II)

Government Resolution No. 562 regulates the keeping of the registers of the information (information keeping requirements) specified in Article 16 of the AML/CFT Law, also registered data, the responsibilities of registrars and the inspection of register keeping. These rules are

binding to all financial institutions and other entities enumerated in paragraphs 1 to 7 of Article 16 of the AML/CFT Law.

- Resolution of the Government of the Republic of Lithuania Amending Resolution No. 527 of the Government of the Republic of Lithuania of 1 June 2006 On the Approval of the Rules of Providing the Law Enforcement Agencies and other State Institutions of the Republic of Lithuania with Information Regarding Customers' Monetary Operations at the Disposal of the Financial Crime Investigation Service under The Ministry of the Interior (Resolution No. 527 of the Government of the Republic of Lithuania of 1 June 2007 (as amended by Resolution No. 680 of the Government of the Republic of Lithuania of 9 July 2008, hereinafter referred to as "Government Resolution No. 680") (see Annex IV)

Government Resolution No. 680 regulates the providing of the information regarding customers' monetary operations and transactions at the disposal of the Financial Crime Investigation Service (hereinafter – the FCIS) to the law enforcement agencies and other state institutions of the Republic of Lithuania and regulates the exchange of information between the State Security Department and the FCIS implementing terrorist financing prevention measures.

- Resolution of the Government of the Republic of Lithuania On Approving the List of Criteria on the Basis Whereof a Monetary Operation or Transaction is to be Regarded as Suspicious or Unusual and the Description of the Procedure of Suspending Suspicious Monetary Operation and Transaction and Reporting the Information about Suspicious or Unusual Monetary Operations or Transactions to the Financial Crime Investigation Service under the Ministry of the Interior (Resolution No. 677 of the Government of the Republic of Lithuania of 9 July 2008, hereinafter referred to as "Government Resolution No. 677") (see Annex III)

Government Resolution No. 677 approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS.

- Resolution of the Government of the Republic of Lithuania On the List of Criteria for Considering a Customer to Pose a Small Threat of Money Laundering and/or Terrorist Financing and Criteria Based on which a Threat of Money Laundering and/or Terrorist Financing is Considered to be Great, On the Approval of the Rules of Customer and Beneficial Owner identification as well as Detection of Several Interrelated Monetary Operations, and On the Establishment of the Procedure of Presenting Information on the No.ticed Indications of Possible Money Laundering and/or Terrorist Financing and Violations of the Law of the Republic of Lithuania on Prevention of Money Laundering and Terrorist Financing as well as the Measures Taken against the Violators (Resolution No. 942 of the Government of the Republic of Lithuania of 24 September 2008, hereinafter referred to as "Government Resolution No. 942") (see Annex V)

Government Resolution No. 942 approves:
1. The list of criteria on the basis for considering a customer to pose a small threat of money laundering and/or terrorist financing and criteria based on which a threat of money laundering and/or terrorist financing is considered to be great;
2. The rules of customer and beneficial owner identification as well as detection of several linked monetary operations shall regulate collection and verification of personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the

related documents or copies thereof, customer identification instruments, as well as detection of several linked operations.
Resolution also specifies what information must be communicated to the FCIS by law enforcement agencies and other public authorities, having noticed indications of possible money laundering and/or terrorist financing, violations of the AML/CFT Law (by Government Resolution No. 942 they must, as soon as possible but no later than within 3 working days from the moment when such data or information becomes known, notify the FCIS).

Pursuant to Common Understanding of 18 April 2008 between the EU Member States on third countries equivalence under Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, signed at the 15th meeting of the Committee on the Prevention of Money Laundering and Terrorist Financing, the Government of the Republic of Lithuania by Government Resolution No. 1149 of 23 September 2009 approved the List of states, dependencies and regions that are not members of the European Union but are recognized as applying the requirements equivalent to those set out in the AML/CFT Law.

By Government Resolution No. 178 of 4 March 2009 On implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to crime, the Lithuanian Criminal Police Bureau has been appointed the national asset recovery office for communication and cooperation between the competent institutions of the Republic of Lithuania and foreign countries on the performance of the function of search and detection of property acquired in the criminal way.

3. The AML/CTF Guidelines

After the adoption of the AML/CFT Law, as well as the above mentioned Resolutions of the Government, guidelines intended for prevention of money laundering and/or terrorist financing for financial institutions and other entities were approved:

- On 15 of May 2008 the Board of the Bank of Lithuania approved guidelines, intended for prevention of money laundering and/or terrorist financing for credit institutions (see Annex VI);
- On 27 of January 2009 the FCIS approved guidelines, intended for prevention of money laundering and/or terrorist financing for:

1. providers of postal services who provide services of domestic and international money transfers,
2. leasing companies,
3. persons engaged in economic-commercial activities related to trade in real estate other property the value of which is in excess of EUR 15 000 or an equivalent sum in foreign currency where payment is made in cash,
4. accounting undertakings or undertakings providing tax advice services.

- On 28 of February 2009 the State Gaming Supervisory Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing, for gaming companies.
- On 13 of March 2009 the Lithuanian Securities Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing for financial broker, investment companies with variable capital, management companies and the depository;

- On 15 of May 2009 the Lithuanian Assay Office approved guidelines, intended for prevention of money laundering and/or terrorist financing, for persons engaged in trade in precious stones and/or precious metals;
- On 19 of May 2009 the Insurance Supervisory Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing, for insurance undertakings and insurance broking undertakings;
- On 10 of June 2009 the Chamber of Bailiffs approved guidelines, intended for prevention of money laundering and/or terrorist financing, for bailiffs or persons authorised to perform bailiff's activities;
- On 23 of June 2009 the Chamber of Notaries approved guidelines, intended for prevention of money laundering and/or terrorist financing, for notaries;
- On 02 of July 2009 the Lithuanian Bar Association approved guidelines, intended for prevention of money laundering and/or terrorist financing, for advocates and their assistants
- On 26 of October 2009 the Chamber of Auditors approved guidelines, intended for prevention of money laundering and/or terrorist financing for auditors;
- On 30 of December 2009 the Bank of Lithuania approved guidelines, intended for prevention of money laundering and/or terrorist financing for payment institutions;
- On 9 of February 2010 the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania approved guidelines, intended for prevention of money laundering and/or terrorist financing for persons, who conduct economy commercial activity, related to the trade of movable culture values and/or antiquities.

On 10 March 2009 the Insurance Supervisory Commission adopted "On-site inspection guide" for officers of the Insurance Supervisory Commission, describing procedures which are aimed to examine either insurance companies and insurance brokers companies obey the AML/CFT rules.

SECTION 2. Interagency cooperation

1. Mutual Agreements

Taking into account the MONEYVAL experts recommendations in respect of lack of supervision actions coordination between the FCIS and supervisory authorities under the AML/CFT Law, the Paragraph 14 of Article 4 of the AML/CFT Law states that all supervisory institutions mentioned in the Law shall keep mutual cooperation with the FCIS and exchange the information about the results of the conducted inspections of the entities' activity, related to the implementation of preventive measures against money laundering and terrorist financing. According to that a number of agreements on coordination of supervision actions were signed between the FCIS and all supervisory authorities under the AML/CFT Law:

- on 16 June 2009 with the State Gaming Supervisory Commission;
- on 23 July 2009 with the Chamber of Bailiffs;
- on 14 September 2009 with the Chamber of Auditors;
- on 14 September 2009 with the Lithuanian Assay Office;
- on 16 September 2009 with the Lithuanian Securities Commission;
- on 21 October 2009 with the Insurance Supervisory Commission;
- on 26 October 2009 with the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania;
- on 24 of November 2009 with the Bank of Lithuania;
- on 10 of February 2010 with the Chamber of Notaries.

The aim of mentioned agreements is to avoid duplication of inspection activities of entities, to ensure cooperation and exchange of available information, the rational use of human and material resources, to provide methodological assistance subject to the verification activities in specific subjects. Both the FCIS and other institutions inform each other about the planned or intended the AML/CFT inspections, as well as their results within the deadlines, and appoint individuals who will organize implementation of the commitments set out in the agreements and communication between the authorities and the FCIS.

The collaboration agreement between the State Gaming Control Commission and the State Tax Inspectorate was signed on the 31 July 2009. The institutions will seek to encourage voluntary tax payment, to reduce tax payment avoidance in the gaming and national lottery operation branch and will share available information, also will realize established tasks according to the scope.

In order to optimize the efficient exchange of information on natural and legal person's accounts in Lithuania and foreign banks as well as information about natural and legal person's returns, using the PHP program, the FCIS electronically receives data from the State Tax Inspectorate databases under rules of mutual agreement.

2. Joint Steering Group

On 22 September 2009 by the order of the director of the FCIS the joint steering group was established which consists of the representatives of different competent state institutions and professional associations responsible for implementation of measures of prevention of money laundering and terrorist financing. This working group replaced the joint steering committee established by the decree of the Prime Minister of 6 December 1999. The main tasks of the joint steering committee are: to provide suggestions for the FCIS concerning for development of the system of prevention of money laundering and/or terrorist financing; to summarize ways of legalization of money or property obtained in criminal way and provide proposals for state institutions, financial institutions and other subjects responsible for prevention of money laundering; coordinate cooperation between state institutions, financial institutions and other subjects of the AML/CFT Law implementing prevention measures; draft new legal acts or amendments to legal acts.

The group meets regularly (4-5 times per year). During the meetings the group members discuss different issues related to implementation of preventive measures of money laundering and terrorist financing, such as the MONEYVAL activities (sharing responsibilities of competent state institutions filling questionnaires, draft progress reports etc.), the EU committees and groups activities, drafts of legal acts, discuss problematic sectors in that area etc.

SECTION 3. Other initiatives

1. Governmental level

On 19 August 2009 Government of Lithuania by the meeting protocol No. 62 (hereinafter referred to as "Government meeting protocol No. 62"**)** obliged in the period of six month:
1. the Ministry of Justice: to implement the recommendation concerning the disposition of Article 216 of the Criminal Code of the Republic of Lithuania and correspondence of Points 3(1) b and c of the United Nations Convention of 1988 On Illegal Circulation of Narcotic Drugs and Psychotropic Substances" and Point 6 (1) of the United Nations Convention of 2000 Against the Organized Crime, as well as to implement the recommendations that the definition of the money and property acquired in the criminal way should include the directly as well as indirectly received illegal proceeds and property; to establish the draft(s) of the respective legal act and present it to the Government of the Republic of Lithuania;

2. the Ministry of Interior: to implement recommendations concerning the dangers of proportionality between the administrative penalties and the criminal offences stipulated in Article 172^{14} of the Code of the Administrative Infringements of the Republic of Lithuania; to draft the new Article 172^{14} of the Code of the Administrative Infringements and to present it to the Government of the Republic of Lithuania;
3. the Customs Department under the Ministry of Finance: to present suggestions to the Government of the Republic of Lithuania concerning the cash carried to other countries of the European Union from the Republic of Lithuania and brought to it, determination of control mechanism and on the expediency of amendment and supplement of the legal acts regulating liability for violation of the declaration order; under the necessity to establish the draft(s) of the respective legal act;
4. the State Gaming Control Commission: to regulate objective inspections of the legal entities supervised according to the competence in the sphere of prevention of money laundering and terrorist financing, to establish the international cooperation possibility in the sphere of prevention of money laundering and terrorist financing with the analogous foreign supervisory services;
5. to oblige the Ministry of Justice, the Customs Department under the Ministry of Finance, the State Gaming Control Commission to inform the FCIS in writing after six month about the implementation process of the recommendations.

Implementation of Government meeting protocol No. 62 decisions:

1. Since the adoption of the 1st progress report, the working group at the Ministry of Justice has continued its work in preparing and coordinating amendments and supplements of the Lithuanian Criminal Code which should fully implement recommendations of the 3rd round report of the MONEYVAL. During the mentioned period there were initiated three coordination rounds among the state and scientific institutions, as the views on the initial Draft of the Criminal Code differed extremely between practitioners and scientists. The Government of the Republic of Lithuania shall present consentaneous draft of the Criminal Code to the Parliament and it should be further considered and adopted in the Parliament's spring session 2010.

2. According to the Government meeting protocol No. 62 the FCIS prepared the draft Law of Article 172^{14} of the Code of the Administrative Infringements (see Annex VII) and presented it to the Government of the Republic of Lithuania. The draft Law was approved, signed by Premier Minister and sent to the Parliament for consideration**.** The draft Law proposes to increase penalties for money laundering and terrorist financing prevention measures violations, differentiating violations on which administrative responsibility falls. Administrative proceedings would be brought to individuals and companies, institutions and organizations management. This would make more effective use of money laundering and terrorist financing prevention measures, defining intolerance and negative space to money laundering and terrorist financing.

3. At the moment the FCIS is preparing the draft Law on amending AML/CFT Law with the new Article 18-1. Under that draft Law the Customs officers shall undertake control of the sums of cash brought in/to the Lithuania from or in the EU countries. According to the Government meeting protocol No. 62 at the moment the Customs Department is preparing a draft Resolution of the Government of Lithuania "Regulations of cash money carrying control from the EU states to Lithuania, from Lithuania to the EU states and through Lithuania to other the EU states".

2. Institutional level

2.1 Prosecutor General's Office. On 7 December 2007 the Prosecutor General's Office of the Republic of Lithuania in cooperation with the United Kingdom Ministry for Enterprise, Trade, and Investment and Public Sector Enterprises Limited (NI-CO) of Northern Ireland officially

finished the Twinning Project LT2005/IB/JH/01 "Strengthening Prosecution of Fraud". Within the framework of this project the Strategy of Strengthening Prosecution of Fraud in Lithuania was prepared. After inter-institutional consideration on 28 September 2009, the Order on the Plan of Strengthening of Prosecution of Fraud in Lithuania and the Means of Implementation Whereof was signed. This order has been collectively signed by the Prosecutor General's Office, the Special Investigation Service, the Police Department, the FCIS, the Criminal Service of Lithuanian Customs and the State Border Guard Service. The plan provides a set of means to combat fraud, including combat with economic crimes and money laundering.

Currently, the law enforcement institutions seek that in all pre-trial investigations of crimes, through which income or other kind of assets were received, a thorough search should be done, while looking for such assets; the investigators should also look for evidence whether the proceeds from crime (money or assets) have been legalized.

Following stated provisions, the institutions responsible for the said measures (the Special Investigation Service, the Prosecutor General's Office, the Ministry of Justice, the Ministry of the Interior) have formed a working group, which prepared a draft law on amending Article No. 72 of the Criminal Code of the Republic of Lithuania and supplementing whereof with Article 189-1.

Goal of the draft law:

The goal of the draft is to specify (amend) legal regulation, which establishes seizure of the property, which is a measure, tool or outcome of a criminal act, as well as other property of the perpetrator, and establishes that the disposition of assets of high value the acquisition whereof cannot be accounted for as the lawful acquisition through legal income, shall be deemed as a criminal act.

Tasks of the draft law:

1. To specify (amend) the provisions of Article 72 of the Criminal Code in such a manner, that a court could confiscate means, a tool or result of criminal activity, which are under the ownership of the perpetrator or other persons.

2. To amend the provisions of Article 72 of the Criminal Code in such way, so that the court could seize the property (except the property the exaction whereof cannot be exercised according to the Civil Process Code of the Republic of Lithuania) which belongs by right of ownership to the perpetrator who has been sentenced for a criminal act, through which the he or she gained or may have gained material benefit, and which has been acquired through the period of five years prior to committing the criminal act, at the time of committing the criminal act and after committing the said criminal act and the acquisition whereof [property] cannot be accounted for as lawful acquisition through legal income.

3. To supplement the Criminal Code with article 189-1, which establishes criminal liability for any person who owns a property of high value the acquisition whereof cannot be accounted for as lawful acquisition through legal income.

Currently the draft of Article 72 of the Criminal Code has been submitted to the Parliament for further consideration.

On 6 August 2009 order No. 17.2.-13753 the General Prosecutor sent to the Chief Prosecutors of the Department, Divisions of General Prosecutor's Office and territorial Prosecutor's Offices. It is stated that despite the fact that it is recommended to oblige the FCIS to carry out investigation of the criminal acts provided in Article 216 of the Criminal Code, however all the other pre-trial investigation institutions, as well as prosecutors, in the investigations carried up by them related to the property or money acquired in the criminal way should also investigate the presence of any indications of crime provided in Article 216 of the Criminal Code. This was also pointed out by

the experts of the United Kingdom in the above mentioned Twinning project „Strengthening Prosecution of Fraud in Lithuania".

2.2. Police department under the Ministry of Interior. By Government Resolution No. 178 of 4 March 2009 On implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime, the Lithuanian Criminal Police Bureau has been appointed as the national asset recovery office for communication and cooperation between the competent institutions of the Republic of Lithuania and foreign countries on the performance of the function of search and detection of property acquired in the criminal way. Taking into consideration the above provisions, by Order No. 5-V-402 of the General Commissioner of the Lithuanian Police the regulations of the Lithuanian Criminal Police Bureau have been supplemented, including the additional functions of communication and cooperation between the competent institutions of the Republic of Lithuania and foreign countries on the performance of the function of search of property acquired in the criminal way.

By order Nr. 5-V-395 of General Commissioner of the Lithuanian Police of 4 June 2009 On the establishment of the commission for the implementation of regulations on implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime, the Commission has been established from the competent representatives of the Lithuanian Criminal Police Bureau and the representative of the Criminal Police Board of the Police Department under the Ministry of Interior, which was authorized to present till 31 March 2010 suggestions to the General Commissioner of the Police on application in practice of the provisions of Resolution No. 178 of 4 March 2009 On implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime and amendment of the due legal acts in force.

SECTION 4. International cooperation

The FCIS has further enhanced its co-operation with the European bodies, particular with Europol. The FCIS became associated with the Europol Analysis Work File on carousel fraud (MTIC). This development would be beneficial in the view of enhancing effective co-operation.

As in previous years, the FCIS participated on a regular basis in the Council Working Groups and the European Commission committees. In addition, the FCIS continued to develop its casework co-operation with Eurojust.

The FCIS continues its policy of encouraging contacts at operational level with counterparts of the neighbouring countries. In accordance with established practice, the FCIS and Latvian Financial Police officers met twice in 2009 to discuss the progress of joint objectives.

One of the FCIS' priorities remains the strengthening of its relations with the countries outside the European Union. In 2009, the Agreement between the FCIS and the Federal Financial Monitoring Service of the Russian Federation concerning cooperation on counteracting legalization of proceeds from crime (money laundering) and terrorist financing was signed. Now draft memorandums of Understanding with FIUs of the United Arab Emirates and Serbia for joint cooperation in combating money laundering and terrorist financing is almost finalized. It is expected that the memorandums will be signed in the second quarter of 2010.

During 2008-2009, the FCIS continued to develop its relations with Ukraine and Moldova, while contributing to the ongoing the EU projects and initiatives. The FCIS also hosted several study visits of the delegations from the Ukrainian and Kyrgyzstan FIUs.

The FCIS has connected to FIU.NET. The FIU.NET will provide the FCIS with the necessary equipment for a one year period on a free of charge basis. The benefits of this arrangement would be that the FCIS can be connected and can achieve experience with operational use of FIU.NET.

During the period of 2005-2008, the project No.. 2005/017-494-02-01 "Protection of the Communities' financial interests and fight against fraud" (Transition Facility programme) was implemented by the FCIS. The project was aimed at the strengthening of administrative and technical capacity of the FCIS, seeking to ensure the proper analysis of information in fighting against financial crime and implementing the prevention of the offences.

SECTION 5. Training for the staff of obliged entities

Implementing the above mentioned project, the risk assessment methodology and training strategy was developed. In addition, 139 FCIS officers and 123 officials of other state institutions took part in 8 training courses.

Also, during 2008 the FCIS officers took part in 8 workshops and trainings for money laundering and terrorist financing prevention, of which 6 had been carried out abroad (13 participants) and 2 (35 participants) in Lithuania.

During 2009 special AML/CFT training program for all banks and auditors was conducted by the FCIS. Approximately 400 persons were trained. The main topics of the training programs: legal AML/CFT basis; latest AML/CFT trends and typologies; new technologies involvement to ML schemes; ML indicators; FT indicators; international sanctions list; the UN Resolutions, the EU Common Positions; E-money; CDD process; Record keeping; STR reporting requirements; PEPs; the FCIS as Lithuania FIU; international organizations to combat ML and FT. Training program is foreseen for 2010 as well. The first priority is the training course for DNFBPs.

2 Key recommendations

Please indicate which improvements have been made in respect of the FATF Key Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To unify the two ML definitions.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	There have been no changes in the statutory definitions of ML since the last evaluation. However, working group at Ministry of Justice prepared a draft of Law of amendment and supplementation of Lithuanian Criminal Code (further – the Draft) which should fully implement recommendations of the committee of experts. Currently the Draft is under discussion. With the request for response the Draft was sent to a number of state institutions (Ministry of Internal Affairs, the Financial Crimes Investigation Service under the Ministry of Internal Affairs, Prosecutor General's Office, State Security Department) and to scientific institutions (Mykolas Romeris

	University, Vilnius University, Institute of Law). In the Draft it is proposed to abolish the Article 189 and to amend the Article 216 so that this Article would unify two ML definitions and would cover all elements of ML. Further citations from the Draft are provided: Article 4. Abolishing of Article 189 Article 189 shall be abolished. Article 5. Amendment of Article 216 Article 216 shall be amended and shall be written out so: "Article 216. Legalization of money or property 1. Any person who carries out financial operations with his own or another person's property or with proceeds from such property in the perception that the property acquired in a criminal way, or concludes agreements, uses them in economic or commercial activity, makes fraudulent declaration that they are derived from legal activity or in any other way aims to conceal origin, location, movement or ownership of such property or proceeds, also who acquires, uses or realizes property in the perception that this property proceeds from criminal offences shall be punished by imprisonment for a term for up to 7 years. 2. Any person who acquires, uses or realizes property of value equal to 10 MLS* or less in the perception that this property proceeds from criminal offences, commits a misdemeanour, and shall be punished by community service, or a fine, or detention. 3. Legal entities shall also be held liable for the acts specified in this Article". *- Currently MLS (minimal life standard) is equal
Measures taken to implement the recommendation since the adoption of the first progress report	Since the adoption of the 1st progress report, the working group at the Ministry of Justice has continued its work in preparing and coordinating amendments and supplements of the Lithuanian Criminal Code which should fully implement recommendations of the 3rd round report of the MONEYVAL. During the mentioned period there were initiated three coordination rounds among the state and scientific institutions, as the views on the initial Draft of the Criminal Code differed extremely between practitioners and scientists. The Government of the Republic of Lithuania shall present the consentaneous draft of the Criminal Code to the Parliament and it should be further considered and adopted in the Parliament's spring session 2010. In the Draft of the Criminal Code it is proposed to abolish the Article 189 and to amend the Article 216 so, that this Article would unify the two ML definitions and would cover all elements of ML. Further citations from the Draft of the Criminal Code are provided: „Article 1. Abolishing of Article 189 Article 189 shall be abolished. Article 2. Amendment of Article 216 Article 216 shall be amended and shall be laid down as follows: Article 216. Money laundering 1. Any person, who acquires, converts, possesses, uses or realizes property or part of it or proceeds from such property or part thereof, in the perception that they are acquired in a criminal way, or disguises the true nature, source, location, disposition, movement or property rights with respect to property or part of it or proceeds from such property or part

	thereof, shall be punished by arrest or imprisonment for a term for up to 4 years. 2. Any person, who acquires, converts, possesses, uses or realizes property of a high value or part of it or proceeds from such property or part thereof, in the perception that they are acquired in a criminal way, or disguises the true nature, source, location, disposition, movement or property rights with respect to property of a high value or part of it or proceeds from such property or part thereof, also any person, who, in order to conceal or legalise his own or other person's property or part of it or proceeds from such property or part thereof, in the perception that they are acquired in a criminal way, carries out financial operations with this property or part of it or proceeds from such property or part thereof, or concludes agreements, or uses them in economic, commercial or financial activity, makes fraudulent declaration that they are derived from legal activity, shall be punished by imprisonment for a term for up to 7 years. 3. Any person, who acquires, converts, possesses, uses or realizes property of a low value or part of it or proceeds from such property or part thereof, in the perception that they are acquired in a criminal way, or disguises the true nature, source, location, disposition, movement or property rights with respect to property of low value or part of it or proceeds from such property or part thereof, commits a misdemeanour and shall be punished by community service, or a fine, or detention, or arrest. 4. Legal entities shall also be held liable for the acts specified in this Article. 5. The close relatives and family members of the perpetrator shall not be held liable for disguise, as provided in this Article, without prior arrangement the true nature, source, location, disposition, movement or property rights with respect to property or part of it or proceeds from such property or part thereof. Article 3. Supplement with Article 224¹: Article 224¹. Interpretation of value of property The property as provided for in this Chapter shall be considered to be of a high value where its value exceeds the amount of 250 MLS*, and low value – when its value exceeds the amount of 1 MLS, but does not exceed 3 MLS". *- Currently MLS (minimal life standard) is equal to 130 Litas (~37,6 EUR).
Recommendation of the MONEYVAL Report	*Money laundering should be criminalized more strictly and the legal incrimination should follow Article 3(1)(b)&(c) Vienna Convention and Article 6(1) Palermo Convention, so as to cover also conversion, transfer of property or concealment, disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, if such conduct is carried out outside of a financial operation, conclusion of an agreement, an economic or commercial activity, or by means of a fraudulent declaration.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	It is proposed to amend the description of ML in the Article 216 so that it would cover not only conduct that is carried out in the context of a financial operation, conclusion of an agreement, an economic or commercial activity, or by means of a fraudulent declaration but also conduct that is not related with the activities mentioned above. More over an open definition of ML is proposed, including aiming to conceal origin, location, movement or

	ownership of such property or proceeds in any other way and thus not restricting ML on activities explicitly mentioned in the Article 216.
Measures taken to implement the recommendations since the adoption of the first progress report	The proposed amendments of Article 216 of the Criminal Code are prepared with the aim to cover all activities mentioned in Article 3(1)(b)&(c) of Vienna Convention and Article 6(1) of Palermo Convention. Therefore, the definition of ML, proposed in the Draft of the Criminal Code, includes conversion, transfer of property, also disguise of the true nature, source, location, disposition, movement or property rights with respect to property or part of it or proceeds from such property or part thereof, even if such conduct is carried out outside of a financial operation, conclusion of an agreement, an economic or commercial activity, or by means of a fraudulent declaration.
Recommendation of the MONEYVAL Report	*To provide for the applicability of Art. 21 also to the various offences contained in art. 189.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Article 21 is applicable to Article 216. As it is proposed to amend the Criminal Code so that Article 216 would cover offences contained in Art. 189, Article 21 would be applicable to these offences. Article 21 would be inapplicable only to the minor offences of ML provided in the 2nd paragraph of Art. 216: acquisition, usage or realization of property of value equal to 10 MLS or less in the perception that this property proceeds from criminal offences.
Measures taken to implement the recommendations since the adoption of the first progress report	Article 21 is applicable to Article 216 of the Criminal Code. As it is proposed to amend the Criminal Code so that Article 216 would cover offences contained in Article 189, Article 21 would be applicable to these offences. Regarding paragraph 1 of Article 21, a person shall be held liable solely for preparation to commit a serious or grave crime. Accordingly, Article 21 would be inapplicable to the activities, described in the 1st and in the 3rd paragraphs of Article 216, as those crimes are considered as a less serious crime and a misdemeanour.
Recommendation of the MONEYVAL Report	*To review the effectiveness and the dissuasive character of the criminal sanctions under art. 189.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	As it is proposed to abolish Article 189 and to amend Article 216 so that it would cover all elements of ML, any case of ML would be punishable by imprisonment for a term of up to 7 years. Only some minor cases of ML (using, acquiring, realization of property that proceeds from criminal offences when value of property equal to 10 MLS or less) would constitute a misdemeanor and would be punishable by community service, or a fine, or detention.
Measures taken to implement the recommendations since the adoption of the first progress report	As it is proposed to abolish Article 189 and to amend Article 216 of the Criminal Code so that it would cover all elements of ML, any case of ML would be punishable by imprisonment for a term of up to 7 years. It should be noted, that the sanctions depend on the value of property, and some minor cases of ML (i.e. when value of property does not exceed 3 MLS) would constitute a misdemeanour and would be punishable by community service, or a fine, or detention, or arrest.
Recommendation of the MONEYVAL Report	*To consider making an explicit provision, as necessary, specifying that the laundering offence applies to both direct and indirect proceeds.*
Measures reported as of 4 March 2008 to implement the recommendation of	It is proposed to provide in Art. 216 that laundering offence applies not only to money and property acquired in a criminal way, but also to proceeds of such property. This provision fully implements recommendation as money and property acquired in a criminal way should be understood as direct

the report	proceeds and proceeds of money or property acquired in a criminal way should be understood as indirect proceeds. It is proposed to reduce standard of mental element for ML and to provide that perpetrator commits an ML offence "in the perception that the property acquired in a criminal way" instead of "knowing that the property acquired in a criminal way". Perception is wider notion than knowledge and it covers both knowledge and suspicion that property was acquired in a criminal way.
Measures taken to implement the recommendations since the adoption of the first progress report	In the Draft of the Criminal Code it is proposed to provide in Article 216 of the Criminal Code that money laundering offence applies not only to property acquired in a criminal way, but also to proceeds of such property. This provision fully implements recommendation as property acquired in a criminal way should be understood as direct proceeds and proceeds or property acquired in a criminal way should be understood as indirect proceeds. It is proposed to reduce standard of mental element for ML and to provide that perpetrator commits an ML offence "in the perception that the property acquired in a criminal way" instead of "knowing that the property acquired in a criminal way". Perception is wider notion than knowledge and it covers both knowledge and suspicion that property was acquired in a criminal way.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 5 (Customer due diligence) I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To include in the AML Law a specified reference to the full CDD measures as opposed to identification procedures which, in themselves, are part of the CDD process and provide for the independent verification of the identification information obtained.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The new AML/CFT Law incorporates full customer due diligence measures, which contains the obligation of financial institutions and other subjects of the Law to conduct customer due diligence procedures in cases mentioned in Article 9 of the AML/CFT Law (always by establishing a new business relationship, by conducting occasional transactions (single or several linked operations) over 15 000 EURO, in case of doubts about the accuracy or veracity of previously obtained customer information, in case of suspicion, on entering the casino and on exchange of money to chips, in case of currency exchange in cash when the amount is above 6000 Euros, in case of internal or cross-border postal money transfers above 600 Euros) The AML/CFT Law provides new obligations for financial institutions and other subjects: - must identify the customer and beneficial owner; - must receive information from the customer about the purpose of his business relations and their intended character; - must check identity of the customer and beneficial owner following the documents, data and information, received from the reliable and

	independent source; - must conduct ongoing monitoring of the customers business relationship and ensure that the data about client and beneficial owner must be reviewed and kept up-to-date. Implementing requirements of the III Directive the new AML/CFT Law introduces cases when simplified and enhanced customer due diligence procedures applies. The detailed procedure will be established by the resolution of the Government and it will cover: - identification and verification of the customer and beneficial owner, - determination of beneficial owner including verification (risk-based approach), - asking the information on the substance of the business relationship (e. g. a business plan), - conducting on-going monitoring of a client activities, whether they are in line with his proclaimed business plans, whether his risk profile is showing substantial changes, including the flow of up-dated information on his activities, etc.
Measures taken to implement the recommendation since the adoption of the first progress report	There were no other amendments of the AML/CFT Law since the adoption of the 1st progress report. The AML/CFT Law (see Annex I), Government Resolution No. 942 (see Annex V), guidelines for financial institutions and other entities introduce customer due diligence procedures, such as: 1) identification of the customer as well as verification of customer's identity from independent sources; 2) identification and verification of beneficial ownership and control; 3) establishment of intended purpose and nature of the business relationship; 4) execution of ongoing due diligence and scrutiny of the relationship and transactions; 5) keeping of records up to date. The AML/CFT Law and the Bank of Lithuania Guidelines for credit institutions (see Annex VI) introduce risk-based approach. The AML/CFT Law provides for simplified and enhanced customer due diligence cases. Article 10 of the AML/CFT Law provides that simplified customer due diligence could be used in cases when are involved: listed companies; beneficial owners of pooled accounts held by notaries and other independent legal professionals; domestic public authorities; any other customer representing a low risk; low risk products or transactions: ((i) life insurance policies; (ii) insurance policies for pension schemes; (iii) a pension, superannuation or similar scheme that provides retirement benefits to employees; (iv) electronic money (the device cannot be recharged, the maximum amount is no more than EUR 150; the device can be recharged, a limit of EUR 2 500 on the total amount per a calendar year); (v) any other product or transaction representing a low risk determined by the Government. Enhanced customer due diligence (Article 11 of the AML/CFT) covers: 1) transactions or business relationships where the customer has not been

	physically present for identification purposes; 2) correspondent banking relationships with credit institutions from the third states; 3) transactions or business relationships with politically exposed persons; 4) there is great threat of money laundering or terrorist financing. Government Resolution No. 942 (see Annex V) approves the rules of customer and beneficial owner identification as well as detection of several interrelated monetary operations and regulate collection and verification of personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the related documents or copies thereof, customer identification instruments, as well as detection of several interrelated operations. Mentioned document includes rules for simplified and enhanced costumer due diligence: Simplified CDD procedure: • Simplified customer identification may be applied in the cases specified in Article 10 of the AML/CFT Law; • Before the procedure of customer identification, a competent officer of a financial institution or another entity shall verify the existence of circumstances that allow simplified customer identification; • Having decided to apply simplified customer identification, the financial institution or another entity shall, at its own discretion, select the customer identification instruments specified in paragraph 5 of the Rules of Government Resolution No. 942 (see Annex V); • A financial institution or another entity must not perform simplified customer identification if a separate decision of the European Commission has been passed on the issue. In such an event, the financial institution or another entity must apply the provisions of chapters II or V of the Rules. Enhanced CDD procedure: • Enhanced customer identification shall be applied in the cases specified in Article 11 of the AML/CFT Law; • Before the procedure of customer identification, a competent officer of a financial institution or another entity shall verify the existence of circumstances necessitating enhanced customer identification; • Having decided to apply enhanced customer identification, the financial institution or another entity shall, in the cases specified in paragraphs 2-4 of Article 11 of the AML/CFT Law, apply the enhanced customer identification instruments envisaged in the AML/CFT Law; Article 25 of Government Resolution No. 942 (see Annex V) provides that financial institution or another entity shall immediately once again verify customer identity by means of enhanced customer identification in the following cases: when a customer knowingly provides wrongful information for the purposes of identifying the customer or beneficial owner; when a customer withholds information; when there exist the circumstances for the application of enhanced identification.

Recommendation of the MONEYVAL Report	*To provide for a specific inclusion in the AML Law for identification requirements in the case of suspicion irrespective of the LTL 50,000 (Euro 15,000) threshold.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The new AML/CTF Law lists cases when customer due diligence procedures must be conducted by financial institutions and other subjects of the Law. Article 9 of the Law provides that financial institutions and other subjects of the Law must conduct due diligence procedures in other cases when there is a suspicion of money laundering or terrorist financing activities, regardless of any derogation, exemption or threshold. This provision of the Law implements above mentioned recommendation of the MONEYVAL experts.
Measures taken to implement the recommendation since the adoption of the first progress report	As it was mentioned in the 1st progress report the AML/CFT Law implemented this recommendation of the MONEYVAL 3rd round evaluation report. Now the paragraph 7 of Part 1 of Article 9 of the AML/CFT Law (see Annex I) provides obligation for financial institutions and other entities to identify customer in the case of suspicion irrespective of the threshold. There were no other amendments of the AML/CFT Law since the adoption of the 1st progress report. Paragraph 10.6 of the Bank of Lithuania guidelines for credit institutions (see Annex VI) provides that credit institutions must take measures to identify a customer and beneficiary and verify their identity in cases of suspected previous, present or future money laundering and/or terrorist financing activities, irrespective of the amount of a monetary operation or other exemptions. The same requirements are provided in Paragraph 9.4 of the Lithuanian Securities Commission's guidelines for financial broker, investment companies with variable capital, management companies and the depository and in Paragraph 21.4 of the Insurance Supervisory Commission's guidelines for insurance undertakings and insurance broking undertakings.
Recommendation of the MONEYVAL report	*To revise Article 3 of the Law on Payments with regards to customer details for cross-border payments*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Implementing the recommendation of the 3rd MONEYVAL report the Law on Payments was amended. This amendment of Article 3 of the Law abolishes the different approach of internal and cross-border payments. The amendment of the Law on Payments provides that credit institutions must apply the same requirements as regards customer's identification details for internal and cross-border payments. In both cases (internal and cross-border payments) financial institutions are required to obtain and maintain the following information on: the name of originator; the originator's account number and the originator's address or identity number.
Measures taken to implement the recommendations since the adoption of the first progress report	The new Law on Payments was adopted and entered into force on 28 December 2009. The new Law on Payments does not provide the requirements for customer information in cases of internal or cross-border payments. The EU Regulation No. 1781/2006 on information on the payer accompanying transfers of funds applies directly in Lithuania. According to the mentioned regulation, payment service providers must identify customer and shall ensure that transfers of funds are accompanied by complete information on payer which shall consist of his name, address and account number. In case if the payment service provider of the payee becomes aware,

	when receiving transfers of funds, that information on the payer required under the Regulation is missing or incomplete, it shall either reject the transfer or ask for complete information on payer. In any event, the payment service provider of the payee shall comply with any applicable law or administrative provisions relating to money laundering and terrorist financing.
Recommendations of the MONEYVAL report	*To ensure that the Register of Legal Persons records information on shareholding changes in legal persons following registration.*
Measures taken to implement the Recommendation of the Report	The Draft Law amending Article 12 and supplementing Article 41 of the Law on Companies (No.. IX-1594) has been prepared and presented for the coordination among institutions concerned. More detailed information is presented commenting the implementation of R.33.
Measures taken to implement the recommendations since the adoption of the first progress report	The Parliament adopted the Law supplementing Article 41 (1) of the Law on Companies on 15 December 2009. This law (with some exceptions) entered into force on 1 March 2010. According to the Article 41 (1) of the Law on Companies, private limited liability companies are obliged to draw their shareholders' lists and submit the lists to the Register of Legal Persons (within 5 days from the date of the drawing up of the list). Private limited liability companies, incorporated prior to 1 March 2010, will have to submit their shareholders' list to the Register of Legal Persons not later than 1 October 2010. Whenever data included in the shareholders' list changes, the whole new list has to be submitted to the Register of Legal Persons (within 5 days from the date of the drawing up of the new list). More detailed information is provided commenting the implementation of R.33.
Recommendation of the MONEYVAL Report	*As part of the CDD process, financial institutions should be required to draw up customer acceptance policies and business profiles with an obligation for on-going due diligence procedures.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	This recommendation was implemented through the provisions of Article 19 of the AML/CFT Law which states that financial institutions and other subjects must establish appropriate internal control procedures related with due diligence of client and beneficial owner, reporting and providing of information to the FCIS, as well as record keeping, assessment of clients risk, management of the risk, other measures which will prevent money laundering and terrorist financing. These procedures cover customer acceptance policies and business profiles. According to the new provisions of the AML/CFT Law financial institutions and other subjects in all cases must conduct ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's or person's knowledge of the customer, the business and risk profile, including, where necessary, the source of funds. Financial institutions and other subjects must ensure that the documents, data or information held are revised and kept up-to-date. More detailed procedures will be implemented through the Guidelines for financial institutions which will be adopted after the adoption of the Government resolutions.
Measures taken to implement the recommendation since the adoption of the first progress report	There were no other amendments of the AML/CFT Law since the adoption of the 1st progress report. Government Resolution No. 942 (see Annex V) approves the rules of customer and beneficial owner identification as well as detection of several interrelated monetary operations shall regulate collection and verification of

	personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the related documents or copies thereof, customer identification instruments, as well as detection of several interrelated operations. Mentioned document includes rules for simplified and enhanced costumer due diligence. Article 25 of Government Resolution No. 942 provides that financial institution or another entity shall immediately once again verify customer identity by means of enhanced customer identification in the following cases: when a customer knowingly provides wrongful information for the purposes of identifying the customer or beneficial owner; when a customer withholds information; when there exist the circumstances for the application of enhanced identification. **Ongoing Monitoring:** Paragraph 14 and 15 of the Bank of Lithuania guidelines for credit institutions (see Annex VI) provides that credit institutions must: 1) conduct ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the credit institutions' knowledge of the customer, the business (types of business, business partners, business territory, etc,) and risk profile including, where necessary (if legal basis of a monetary operation is not clear and if a monetary operation does not reflect financial condition of the customer) – the source of funds. 2) guarantee that money laundering and/or terrorist financing risk assessment is carried out on the basis of the most recent and precise information. Credit institutions must continuously revise and update customer and beneficiary's identification data. This provision shall apply to both, new and already existing customers of credit institutions. Paragraph 13.4 of the Lithuanian Securities Commission's guidelines for financial broker, investment companies with variable capital, management companies and the depository must conduct ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the credit institutions' knowledge of the customer, the business and risk profile including, where necessary the source of funds. **Customer Acceptance Policies and Business Profiles:** Paragraphs from 18 to 27 of the Bank of Lithuania Guidelines for credit institutions (see Annex VI) provides that credit institutions must draw up customer acceptance policies and business profiles with an obligation for on-going due diligence procedures. Lithuanian Securities Commission's guidelines for financial broker, investment companies with variable capital, management companies and the depository provides that financial institutions shall in their activity be guided by the principle KYC (including the identities of the clients, their intermediaries, the establishment of the basis for representation, collection of

	the data on the financial status of the clients, objectives of investment, experience, the presence of personal property, etc.). This principle empowers financial institution to take reasonable measures in order to understand the ownership and control structure of customer or to determine who are the natural persons that ultimately own or control the customer. Paragraph 7 of the Lithuanian Securities Commission's Guidelines provides that employees of financial institutions shall establish the identity of their customer (natural or legal person) to whom investment and other services are provided, therefore financial institutions shall in their activity be guided by the principle: KYC (including the identities of the clients, their intermediaries, the establishment of the basis for representation, collection of the data on the financial status of the clients, objectives of investment, experience, the presence of personal property, etc.). Paragraph 70 of the Lithuanian Securities Commission Guidelines states that financial institutions must establish appropriate internal control procedures relating to the appropriate clients and beneficiaries identification and verification, reporting and information presentation of the FCIS, also relating to information keeping, risk assessment, risk (depending on the customer, business relationship or transaction type and so on.) management, compliance management and communication to prevent money laundering, and (or) the financing of terrorism related to financial operations and transactions and reduce money laundering, and (or) terrorist financing.
Recommendation of the MONEYVAL Report	*To introduce a specific obligation for financial institutions to consider reporting where the ID procedures cannot be completely and satisfactorily fulfilled.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Implementing abovementioned recommendation of the MONEYVAL experts the AML/CFT Law was amended and now provides that it is prohibited for financial institutions and other subjects of the Law to establish business relationship or perform the transactions in case due diligence can not be completed and in case beneficial ownership can not be determined. The Law provides that in such cases when it is impossible completely and satisfactorily fulfil identification procedures the financial institutions and other subject of the Law are prohibited to establish business relationships and perform transactions and obliged to report such cases to the FCIS immediately.
Measures taken to implement the recommendations since the adoption of the first progress report	As it was mentioned in the 1st progress report the AML/CFT Law implemented this recommendation of the MONEYVAL 3rd round evaluation report. Now Paragraph 11 of Article 9 of the AML/CFT Law (see Annex I) provides obligation for financial institutions and other entities to consider reporting to the FCIS in the case when the customer identification procedures can not be completely and satisfactorily fulfilled. There were no other amendments of the AML/CFT Law since the adoption of the 1st progress report. Paragraph 16 of the Bank of Lithuania Guidelines for credit institutions (see Annex VI) provides that credit institutions shall be prohibited from carrying out monetary operations via bank accounts, establishing business relationship, performing transactions in cases when they are not able to fulfil the requirements established in paragraphs 10 to 15 of these Guidelines related with due diligence of customers and beneficiaries. The FCIS must be forthwith notified to the effect.

	The same provisions are provided in Article 23 the Lithuanian Securities Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing for financial broker, investment companies with variable capital, management companies and the depository and Article 37 of the Insurance Supervisory Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing, for insurance undertakings and insurance broking undertakings.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 5 (Customer due diligence) II. Regarding DNFBP[1]	
Recommendation of the MONEYVAL report	*To address CDD including identification issues, the provision of a legal basis to certain key elements of the ID process, and the timing and basis of the applicability of the ID process.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The AML/CFT Law stipulates the verification as a component of due diligence procedures; meaning it has to be done together with identification by all obliged entities; by all means it has to be finished before the establishment of the business relationship or before the business transaction is being executed.
Measures taken to implement the recommendations since the adoption of the first progress report	There were no other amendments of the AML/CFT Law since the adoption of the 1st progress report. The following legal acts provides for full customer due diligence procedures: • the AML/CFT Law (see Annex I); • Government Resolution No. 942 (see Annex V); • the State Gaming Supervisory Commission Guidelines; • the Lithuanian Assay Office Guidelines, • the Chamber of Bailiffs Guidelines; • the Chamber of Notaries Guidelines; • the Lithuanian Bar Association Guidelines; • the Chamber of Auditors Guidelines: • the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania Guidelines. Mentioned CDD procedures covers: 1) identification of the customer as well as verification of customer's identity from independent sources; 2) identification and verification of beneficial ownership and control; 3) establishment of intended purpose and nature of the business relationship; 4) execution of ongoing due diligence and scrutiny of the relationship and transactions;

[1] i.e. part of Recommendation 12.

	5) keeping of records up to date. The AML/CFT Law provides for simplified and enhanced customer due diligence cases (Articles 10 and 11). Simplified customer due diligence could be used in cases when are involved: listed companies; beneficial owners of pooled accounts held by notaries and other independent legal professionals; domestic public authorities; any other customer representing a low risk; low risk products or transactions: (i) life insurance policies; (ii) insurance policies for pension schemes; (iii) a pension, superannuation or similar scheme that provides retirement benefits to employees; (iv) electronic money (the device cannot be recharged, the maximum amount is no more than EUR 150; the device can be recharged, a limit of EUR 2 500 on the total amount per a calendar year); (v) any other product or transaction representing a low risk determined by the Government. Enhanced customer due diligence covers: 1) transactions or business relationships where the customer has not been physically present for identification purposes; 2) correspondent banking relationships with credit institutions from the third states; 3) transactions or business relationships with politically exposed persons; 4) there is great threat of money laundering or terrorist financing. Government Resolution No. 942 (see Annex V) approves: 1. The list of criteria on the basis for considering a customer to pose a small threat of money laundering and/or terrorist financing and criteria based on which a threat of money laundering and/or terrorist financing is considered to be great; 2. The rules of customer and beneficial owner identification as well as detection of several interrelated monetary operations shall regulate collection and verification of personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the related documents or copies thereof, customer identification instruments, as well as detection of several interrelated operations.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 10 (Record keeping) I. Regarding Financial Institutions	
Rating: Compliant	
Recommendation of the MONEYVAL report	
Measures reported as of 4 March 2008 to implement the recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	Article 16 of the AML/CFT Law (see Annex I) provides that financial institutions must keep the registers of monetary operations and transactions, such as: 1) a single or several related financial operations or transactions which exceed EUR 15,000 or its equivalent in foreign currency, irrespective of whether the transaction is performed during a single or several related operations; 2) foreign exchange transactions in cash, if the amount of the exchanged cash is in excess of EUR 6,000 or its equivalent in foreign currency; 3) the local and international post remittance transactions, when the amount of the remitted or received money exceeds EUR 600 or its equivalent in foreign currency; 4) money transfers – in compliance with the provisions of Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds. Other entities (except for notaries or persons licensed to perform notarial actions, lawyers and assistant lawyers, bailiffs or persons licensed to perform bailiff's duties, and postal services providers) must keep the register of single payments in cash when the amount of received or paid cash exceeds EUR 15,000 or a respective amount in a foreign currency, also the register of suspicious and unusual monetary operations and transactions. The financial institutions and other entities must keep the register of the customers with whom the transactions or business relationship have been terminated under the circumstances specified in Article 15 of the AML/CFT Law (in case when customer avoids or refuse to submit to the financial institution or another entity at its request and within the specified time limits information about the origin of the monetary resources or assets, other additional data) or under other circumstances related to the violation of the procedure of prevention of money laundering and/or terrorist financing. The AML/CFT Law provides that: 1) the data of the registers shall be kept for 10 years from the day of termination of transactions or business relations with the customer.

	2) the copies of documents confirming customer's identity must be kept for 10 years from the day of termination of the transactions or business relationship with the customer. 3) the documents confirming the monetary operation or transaction or other legally valid documents, related to performance of monetary operations or transactions must be kept for 10 years from the day of performance of the monetary operation or conclusion of the transaction. Government Resolution No. 562 (see Annex II) and all approved guidelines, intended for prevention of money laundering and/or terrorist financing establishes the rules for registers keeping.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	
Recommendation 10 (Record keeping) II. Regarding DNFBP[2]	
Recommendation of the MONEYVAL Report	
Measures reported as of 4 March 2008 to implement the recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	The Article 16 of the AML/CFT Law (see Annex I) provides that notaries or persons licensed to perform notarial actions, as well as bailiffs or persons licensed to perform bailiff's duties must keep the register of suspicious or unusual transactions of customers as well as transactions where the received or paid amount in cash exceeds EUR 15,000 or a respective amount in a foreign currency. Other DNFBPs entities (except for notaries or persons licensed to perform notarial actions, lawyers and assistant lawyers, bailiffs or persons licensed to perform bailiff's duties) must keep the register of one-off payments in cash when the amount of received or paid cash exceeds EUR 15,000 or a respective amount in a foreign currency, also the register of suspicious and unusual monetary operations and transactions. must keep the register of the customers with whom the transactions or business relationship have been terminated under the circumstances specified in Article 15 of the AML/CFT Law (in case when customer avoids or refuse to submit to the financial institution or another entity at its request and within the specified time limits information about the origin of the monetary resources or assets, other additional data) or under other circumstances related to the violation of the procedure of prevention of money laundering and/or terrorist financing. The AML/CFT Law (see Annex I) provides that:

[2] i.e. part of Recommendation 12.

	1) the data of the registers shall be kept for 10 years from the day of termination of transactions or business relations with the customer. 2) the copies of documents confirming customer's identity must be kept for 10 years from the day of termination of the transactions or business relationship with the customer. 3) the documents confirming the monetary operation or transaction or other legally valid documents, related to performance of monetary operations or transactions must be kept for 10 years from the day of performance of the monetary operation or conclusion of the transaction. Government Resolution No. 562 (see Annex II) and all approved guidelines, intended for prevention of money laundering and/or terrorist financing establishe the rules for registers keeping.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 13 (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*In general the obligation to report suspicious transactions is adequately covered through the AML/CFT Law and the Government Resolution 929. It is however not clear whether the obligation applies to attempted transactions or to cases where an institution has reasonable grounds to suspect that a transaction may be related to money laundering. For the financial sector the obligation is restricted to the carrying out of a "financial operation" as defined in the Act and would therefore exclude other transactions not necessarily involving a financial content (contrary to the requirements also of the 2nd EU Directive). The Lithuanian authorities may wish to reconsider the Law in this regard.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The above mentioned obligation to report cases of attempted transactions or cases where an institution has reasonable grounds to suspect that transaction may be related to money laundering will be covered through provisions of the Government resolutions concerning unusual and suspicious transaction. On the basis of mentioned draft resolution, the obliged entity is required to report without delay to the FCIS not only unusual and suspicious transactions but also attempt to do so. The new AML/CFT Law extends the reporting obligation of financial institutions and now according to the provisions of the new AML/CFT Law financial institutions and other subjects must report to the FCIS about all the suspicious or unusual financial operations and transactions regardless the amount of the operation or transaction.

Measures taken to implement the recommendations since the adoption of the first progress report	The above mentioned obligation to report cases of attempted transactions or cases where an institution has reasonable grounds to suspect that transaction may be related to money laundering is covered through provisions of Government Resolution No. 677 (see Annex III) concerning unusual and suspicious transactions. Government Resolution No. 677 approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS. Article 3 of Government Resolution No. 677 states: financial institutions and other entities, when performing an ongoing monitoring of the customer's business relationship, including the investigating of the transactions concluded during such relationship, must pay attention to such activities which, in their opinion, may in their nature be related to money laundering and/or terrorist financing and especially to complicated or unusually large transactions and all unusual structures of transaction, which have no apparent economic or visible lawful purpose, as well as business relationship or monetary operations with the customers from third states where money laundering and/or terrorist financing prevention measures are insufficient or do not conform to the international standards, and shall notify the FCIS about monetary operations and transactions which are being, have been or are attempted to be conducted, and which, in their opinion, may be related to money laundering and/or terrorist financing, even if they satisfy none of the criteria referred to in item 1 hereof. Implementing that recommendation of the 3rd evaluation report the Bank of Lithuania included requirement for credit and payment institutions to report the FCIS in cases when they know, suspect or have reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed or attempted. Paragraph 37 of the Bank of Lithuania Guidelines (see Annex VI) provides that credit institutions must also immediately report to the FCIS in cases when they are aware of, suspect or have sufficient grounds to suspect money laundering or terrorist financing which is being or was actually carried out or attempted. The same requirements apply for payment institutions.
Recommendation of the MONEYVAL Report	*The FT reporting should be directly addressed through specific provisions in the AML Law that are not restricted to information on international lists.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	According Article 1 of the AML/CFT Law, one of the purposes of the AML/CFT Law is to establish the measures for prevention of money laundering and terrorist financing. One of the measures listed in Chapter 3 of the AML/CFT Law is report on suspicious or unusual financial operations or transactions. By all means such measure involves FT reporting. More detailed guidelines in this regard will be determined by the Government resolution.
Measures taken to implement the recommendations since the adoption of the first progress report	The main issue appeared on 3rd round evaluation of Lithuania concerning FT reporting obligation was that there where no preventive law where obligations regarding FT would be stated. Now AML/CFT Law (see Annex I) establishes the measures for prevention of both - money laundering and terrorist financing, one of the measures listed in Chapter 3 of the AML/CFT

	Law is obligation to report on suspicious or unusual financial operations or transactions, which are related to FT. More detailed guidelines in this regard are determined by Government Resolution No. 677 (see Annex III) which approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, inclusive number of criteria to FT: • the customer, the customer's representative (if a monetary operation or transaction is carried out through the customer's representative), the entity for the benefit whereof a monetary operation or transaction is performed are subject to financial sanctions in accordance with the Law on the Implementation of Economic and other International Sanctions of the Republic of Lithuania of 22 April 2004; • the customer or the owner of assets asks to pay the amount due to him to persons who are obviously unrelated to his usual field of activity; • the full amount of advance, other contribution (or their larger part) is paid by persons who are obviously unrelated to the customer's usual field of activity; • the customer performs monetary operations or concludes transactions for which it is difficult or impossible to identify a beneficiary; • transfers in small amounts from different accounts to the customer's account have become extraordinarily frequent without obvious reason; • transfers in small amounts from the customer's account into numerous unrelated accounts have become extraordinarily frequent without obvious reason; • deposits in small amounts to the account of a non-profit organization have increased without obvious reason. According Government Resolution No. 680 (see Annex IV) when necessary, the State Security Department, on its own initiative or upon a request from the FCIS, shall provide the FCIS with information on possible terrorist financing identification criteria in writing or by technical means. Now State Security Department is in the process of provide intelligence to the supervisory institutions about the criteria for identification of terrorist financing (Paragraph 3 of Article 6 of AML/CFT Law). As it was mentioned above the Bank of Lithuania Guidelines (see Annex VI) provides that credit and payment institutions also must immediately report to the FCIS in cases when they are aware of, suspect or have sufficient grounds to suspect not only money laundering, but as well terrorist financing which is being or was actually carried out or attempted.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[3]	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*DNFBPs should be made more aware of their important role in the AML/CFT regime of Lithuania thus ensuring that, in understanding their role better DNFBPs acknowledge and implement the AML obligations further.* In this regard the *Lithuanian Authorities may wish to revisit the AML Law accordingly.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania, Insurance Supervisory Commission of the Republic of Lithuania, the Securities Commission of the Republic of Lithuania, the State Gaming Supervisory Commission, the Chamber of Notaries, the Chamber of Auditors, the Lithuanian Chamber of Bailiffs, the Assaying and Hallmarking Laboratory of Lithuania and the Lithuanian Bar Association according to their competence, is responsible for the prevention of money laundering and terrorism financing stipulated the AML/CFT Law and are obliged to approve guidelines aimed at prevention of money laundering and terrorist financing, supervise the activity of entities, related to the implementation of preventive measures against money laundering and terrorist financing, consult on the issues of the implementation of the abovementioned guidelines. Close cooperation on awareness programs are in process between the entities and the FCIS.
Measures taken to implement the recommendations since the adoption of the first progress report	Important changes were made in this area. The AML/CFT Law (see Annex I) provides new categories of DNFBPs: - bailiffs; - accounting undertakings or undertakings providing tax advice services; - trust (trustee) or company service providers. New competent authorities under the AML/CFT Law were designated, responsible for drafting a the AML/CFT Guidelines for obliged entities, supervising and consulting them: - the Lithuanian Assay Office; - the Chamber of Auditors; - the Chamber of Notaries; - the Department of Heritage of Culture under the Ministry of Culture; - the Chamber of Bailiffs. One of the AML/CFT requirements to DNFBPs is STR reporting obligation (Article 14 of AML/CFT Law). Government Resolution No. 677 (see Annex III) approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS by financial institutions and DNFBPs as well.

[3] i.e. part of Recommendation 16.

	After the AML/CFT Law and 4 Government Resolutions implementing the AML/CFT Law came into force, a number of guidelines were approved to all DNFBPs: • the FCIS Guidelines for: **1.** providers of postal services who provide services of domestic and international money transfers, **2.** persons engaged in economic-commercial activities related to trade in real estate other property the value of which is in excess of EUR 15 000 or an equivalent sum in foreign currency where payment is made in cash **3.** accounting undertakings or undertakings providing tax advice services • the State Gaming Supervisory Commission Guidelines; • the Lithuanian Assay Office Guidelines; • the Chamber of Bailiffs guidelines • the Chamber of Notaries guidelines; • the Lithuanian Bar Association guidelines; • the Chamber of Auditors guidelines; • the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania Guidelines. After that entities under the AML/CFT Law began the process of adjustment of necessary legal documents under the AML/CFT system requirements. One of them provided Government Resolution No. 677 (see Annex III): conditional features of the criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious shall be established by financial institutions and other entities on coordination with the FCIS. Also requirement of establishing internal control procedures is provided in AMF/CFT Law (Article 19). At the time of mentioned process it was organized series of meetings with associations of DNFBPs, supervisory authorities and with the DNFBPs itself. Training for auditors was conducted in 2009. The main topics of the training program: legal AML/CFT basis; latest AML/CFT trends and typologies; new technologies involvement to ML schemes; ML indicators; FT indicators; international sanctions list; CDD process; Record keeping; STR reporting requirements; PEPs. Training program is foreseen for 2010 as well. First priority is training course for DNFBPs. The FCIS designated contact persons responsible for contacts with associations with DNFBPs itself. Taking into account the MONEYVAL experts recommendations in respect of lack of supervision actions coordination between the FCIS and supervisory authorities under the AML/CFT Law (see Annex I). The Article 4 Paragraph 14 of the AML/CFT Law states that all supervisory institutions, mentioned in AML/CFT Law shall keep mutual cooperation with the FCIS and exchange the information about the results of the conducted inspections of the entities' activity, related to the implementation of preventive measures against money laundering and terrorist financing.

	According to that a number of agreements on coordination of supervision actions were signed between the FCIS and all supervisory authorities under the AML/CFT Law: • on 16 June 2009 with the State Gaming Supervisory Commission; • on 23 July 2009 with the Chamber of Bailiffs; • on 14 September 2009 with the Chamber of Auditors; • on 14 September 2009 with the Lithuanian Assay Office; • on 26 October 2009 with the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania; • on 10 February 2010 with the Chamber of Notaries. From the quality of the proceedings mentioned, DNFBPs undoubtedly aware of their important role in the AML/CFT regime of Lithuania.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Special Recommendation II (Criminalise terrorist financing)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To introduce a separate offence of terrorist financing, independently from art. 250 which deals with terrorist activities involving criminal groups, in line with the requirements of SR.II and according to Art. 2 of the 1999 UN Convention for the Suppression of the Financing of Terrorism, with a view in particular to: a) include the collection of funds; c) refer to individual terrorists; d) state that in order to be criminally liable it is not necessary that funds were actually used to carry out terrorist acts or be linked to a specific terrorist act..*
Measures reported as of 4 March 2008 to implement the recommendation of the report	There have been no changes in the statutory definitions of terrorism financing since the last evaluation. However, working group at Ministry of Justice prepared the Draft, mentioned above, which currently is under discussion. With the request for response the Draft was sent to a number of State institutions (Ministry of Home Affairs, Unit of Financial Intelligence at Ministry of Home Affairs, Prosecutor General's Office, State Security Department) and to scientific institutions (Mykolas Romeris University, Vilnius University, The Institute of Law). The proposed amendments should fully cure shortcomings of the current definition of terrorism financing and fully implement recommendations of the committee of experts. It is proposed to introduce separate offence of terrorism financing (Art. 250^2 of Penal Code). It is also proposed to provide that an offence of terrorism financing includes the collection of funds or any other property and refers to support to individual terrorists. In order to be criminally liable it would not be necessary that funds or property were actually used to carry out terrorist acts or be linked to a specific terrorist act. It would be sufficient that perpetrator perceived (knew or suspected) that funds, property or support may be used to carry out a terrorist act or to commit other criminal offence related with terrorist act or to support an individual terrorist or a group of terrorists.

	The offence of financing terrorism would be listed in Article 7 of Penal Code, which provides universal penal jurisdiction of the State for the crimes, specified in international agreements. Further citations from the Draft are provided: Article 1. Amendment and supplementation of the 7th Article The 7th Article shall be supplemented with the new 7th sub-paragraph: „7) financing of terrorism (Article 250^2)“ Article 6. Amendment of the 5th and 6th paragraphs of the 250th Article 1. Words “also financed or gave material or other support to such group” shall be deleted from the 5th paragraph of the 250th Article and this paragraph shall be written out so: “5. Any person, who created a group of accomplices or organised group for the commitment of the acts mentioned in this Article or participated in its activities, shall be punished by imprisonment from 4 to 10 years.“ 2. Words “also financed or gave material or other support to such group” shall be deleted from the 6th paragraph of the 250th Article and this paragraph shall be written out so: “6. Any person, who created a terrorist group with an objective to threat people or illegally demand from state, its institution or international organisation to perform specified actions or to restrain from them or participated in its activities, shall be punished by imprisonment from 10 to 20 years.“ Article 7. Supplementation of the Code with the Article 250^2 The Code shall be supplemented with the Article 250^2 “Article 250^2. Financing of terrorism 1. Any person, who collects funds, any other property or provides material or any other support to other person, in the perception that these funds, property or support may be used to carry out a terrorist act or to commit other criminal offence related with terrorist act or to support an individual terrorist or a group of terrorists, shall be punished by imprisonment from 4 to 10 years. 2. Any person, who provides material or any other support to a terrorist group or collects funds or any other property in the perception, that it may be used to support terrorist group, shall be punished by imprisonment from 10 to 20 years. 3. Legal entities shall also be held liable for the acts specified in this Article.”
Measures taken to implement the recommendations since the adoption of the first progress report	As it was mentioned in the 1st Progress Report, the working group at the Ministry of Justice prepared the draft Law amending the Criminal Code that criminalizes terrorist financing. However, at the same time the State Security Department has prepared draft amendments of the number of laws concerning terrorism, including some articles of the Criminal Code (the Criminal Code is supplemented with the special article for terrorist financing). Seeking the consistency in the laws, working group at the Ministry of Justice suspended its work and presented its suggestions and remarks regarding the draft article of the Criminal Code, criminalizing terrorist financing. The proposed amendments of the Criminal Code should eliminate the inaccuracies in criminalizing terrorist financing that were mentioned in the 3rd round evaluation report. Currently the draft amendments of the number of laws, including the amendments of the Criminal Code, are forwarded to the Parliament for further discussions.
(other) changes since the first progress report (e.g. draft	

laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The obligation to report suspected FT transactions is only restrictively addressed through Government Resolution 929.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	See answer for recommendation 13.
Measures taken to implement the recommendations since the adoption of the first progress report	The main issue appeared during 3rd round evaluation of Lithuania concerning FT reporting obligation was that there where no preventive law where obligations regarding FT would be stated. Now, the AML/CFT Law (see Annex I) establishes the measures for prevention of both - money laundering and terrorist financing. One of the measures listed in Chapter 3 of the AML/CFT Law is obligation to report on suspicious or unusual financial operations or transactions, which are related to FT. More detailed guidelines in this regard are determined by Government Resolution No. 677 (see Annex III) which approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, inclusive number of criteria to FT: • the customer, the customer's representative (if a monetary operation or transaction is carried out through the customer's representative), the entity for the benefit whereof a monetary operation or transaction is performed are subject to financial sanctions in accordance with the Law on the Implementation of Economic and other International Sanctions of the Republic of Lithuania of 22 April 2004; • the customer or the owner of assets asks to pay the amount due to him to persons who are obviously unrelated to his usual field of activity; • the full amount of advance, other contribution (or their larger part) is paid by persons who are obviously unrelated to the customer's usual field of activity; • the customer performs monetary operations or concludes transactions for which it is difficult or impossible to identify a beneficiary; • transfers in small amounts from different accounts to the customer's account have become extraordinarily frequent without obvious reason; • transfers in small amounts from the customer's account into numerous unrelated accounts have become extraordinarily frequent without obvious reason; • deposits in small amounts to the account of a non-profit organization have increased without obvious reason. According to Government Resolution No. 680 (see Annex IV) when

	necessary, the State Security Department, on its own initiative or upon a request from the FCIS, shall provide the FCIS with information on possible terrorist financing identification criteria in writing or by technical means. Now the State Security Department is responsible for providing intelligence to the supervisory institutions about the criteria for identification of terrorist financing (Paragraph 3 of Article 6 of AML/CFT Law).
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Rating:	
Recommendation of the MONEYVAL Report	
Measures reported as of 4 March 2008 to implement the recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	The main issue appeared during 3rd round evaluation of Lithuania concerning FT reporting obligation was that there where no preventive law where obligations regarding FT would be stated. Now AML/CFT Law (see Annex I) establishes the measures for prevention of both - money laundering and terrorist financing, One of the measures listed in Chapter 3 of the AML/CFT Law is obligation to report on suspicious or unusual financial operations or transactions, which are related to FT. More detailed guidelines in this regard are determined by Government Resolution No. 677 (see Annex III) which approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, inclusive number of criteria to FT: • the customer, the customer's representative (if a monetary operation or transaction is carried out through the customer's representative), the entity for the benefit whereof a monetary operation or transaction is performed are subject to financial sanctions in accordance with the Law on the Implementation of Economic and other International Sanctions of the Republic of Lithuania of 22 April 2004; • the customer or the owner of assets asks to pay the amount due to him to persons who are obviously unrelated to his usual field of activity; • the full amount of advance, other contribution (or their larger part) is paid by persons who are obviously unrelated to the customer's usual field of activity; • the customer performs monetary operations or concludes transactions for which it is difficult or impossible to identify a beneficiary;

	• transfers in small amounts from different accounts to the customer's account have become extraordinarily frequent without obvious reason; • transfers in small amounts from the customer's account into numerous unrelated accounts have become extraordinarily frequent without obvious reason; • deposits in small amounts to the account of a non-profit organization have increased without obvious reason. According to Government Resolution No. 680 (see Annex IV) when necessary, the State Security Department, on its own initiative or upon a request from the FCIS, shall provide the FCIS with information on possible terrorist financing identification criteria in writing or by technical means. Now the State Security Department is responsible for providing intelligence to the supervisory institutions about the criteria for identification of terrorist financing (Paragraph 3 of Article 6 of AML/CFT Law).
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

3 Other Recommendations

In the last report the following FATF recommendations were rated as "partially compliant" (PC) or "non compliant" NC (see also Appendix 1). Please, specify for each one which measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 6 (Politically Exposed Persons)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*To provide for rules regarding PEPs under the AML Law with specific enhanced customer due diligence requirements.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Implementing this recommendation of the MONEYVAL 3rd round evaluation report the Law was amended accordingly and now the new AML/CFT Law contains definitions of politically exposed persons, their immediate family members and close associates as well as prominent public functions. Financial institutions and other subjects have an obligation to conduct enhanced due diligence in case when the transactions or business relations are being conducted with politically exposed persons. The new AML/CFT Law provides obligations for financial institutions and other subjects, including the approval of senior management for establishing business relationship with such person, taking adequate measures to establish the source of wealth and the source of funds and conduct enhanced ongoing monitoring of such business relationship.

	According to the provisions of the new AML/CTF Law provides that financial institutions and other subjects must establish appropriate internal control procedures related with due diligence of client and beneficial owner, as well as assessment of clients risk, management of the risk, other measures which will prevent money laundering and terrorist financing. These measures include the requirement to have appropriate risk-based procedures to determine whether the client is a politically exposed person.
Measures taken to implement the recommendations since the adoption of the first progress report	As it was mentioned in the 1st progress report, the AML/CFT Law (Paragraph 15 of Article 2, Paragraph 4 and 5 of Article 11) (see Annex I) implemented provisions of the Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the 3rd EU directive), the Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis (the Implementing directive) as well as this recommendation of the MONEYVAL 3rd round evaluation report. Now the rules regarding PEPs with specific enhanced customer due diligence requirements are fully covered by the provisions of the AML/CFT Law (see Annex I). Financial institutions and other entities must determine the internal procedures, on the basis of which it shall be detected, whether the customer and beneficial owner is a politically exposed person participating in politics. Paragraph 16 of Article 2 of the AML/CFT Law defines politically exposed natural persons as citizens of foreign countries, who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons. Paragraph 17 of Article 2 of the AML/CFT Law defines important public positions (including European Community positions, and positions at the international or institutions of foreign countries): 1) state leaders, government leaders, ministers, vice ministers, or deputy ministers; 2) members of parliaments; 3) members of supreme courts, constitutional courts or other highest judicial institutions, which decisions cannot be subject to appeal; 4) members of the management bodies of the auditors professional organizations or boards of central banks; 5) ambassadors, temporary chargé d'affaires and high ranking officers of the armed forces; 6) members of the management or supervision bodies of the state-run undertakings. Paragraph 2 of Article 2 of the AML/CFT Law lists immediate family members – a spouse, a person, with whom the partnership has been registered (hereinafter referred to as cohabitant), parents, brothers, sisters, grandparents, grandchildren, children and spouses of children, cohabitants

	of children). Paragraph 1 of Article 2 of the AML/CFT Law defines close associates as: 1) any natural person, who together with the person performing or performed the duties indicated in Part 16 of this Article, were the participants of the same legal person or are in any other business relationship; 2) any natural person, who is the sole owner of the legal person, established *de facto*, seeking any property or any other personal benefit, to the person performing or performed the duties indicated in Part 16 of this Article. Paragraph 5 of Article 11 of the AML/CFT Law provides that if a person terminates the execution of the duties stipulated in paragraph 17 of Article 2 of this Law, financial institutions and other entities upon the evaluation of the level of threat of money laundering and (or) terrorist financing, may not consider him to be a politically exposed person. Financial institutions and other entities must determine the internal procedures, on the basis of which it shall be detected, whether the customer and beneficial owner is a politically exposed person participating in politics.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 11 (Unusual Transactions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The Recommendation should be readdressed and covered through legal provisions or through the respective Resolutions in accordance with the established criteria. For the sake of uniformity and consistency, the Lithuanian authorities may also wish to consider addressing this Recommendation through a Government Resolution applicable to both the financial and non-financial sectors.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	According to the provisions of the new AML/CFT Law financial institutions and other subjects, conducting the permanent supervision of the customer's business relations, including the investigation of transactions established in the period of such relations, must pay special attention to such activity, which in their opinion because of its nature can be related to money laundering or terrorist financing, and the structures of the especially complicated and unusually large transactions and all the suspicious transactions, which do not have the obvious economic or visually legal purpose, and business relations or financial operations with the customers from the third countries, in which the preventive measures of money laundering and terrorist financing are not enough or do not correspond to the international standards. The new AML/CFT Law requires that financial institutions and other subjects must keep the investigation results of the evidence and purpose

	of the establishment of such financial operations or transactions for 10 years. During this period of time these documents could be available for competent authorities and auditors. Detailed requirements for implementation of these provisions of the AML/CFT Law will be implemented through the guidelines to different subject of the Law.
Measures taken to implement the recommendations since the adoption of the first progress report	Government Resolution No. 677 (see Annex III) approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS. Article 3 of Government Resolution No. 677 states: financial institutions and other entities, when performing an ongoing monitoring of the customer's business relationship, including the investigating of the transactions concluded during such relationship, must pay attention to such activities which, in their opinion, may in their nature be related to money laundering and/or terrorist financing and especially to complicated or unusually large transactions and all unusual structures of transaction, which have no apparent economic or visible lawful purpose, as well as business relationship or monetary operations with the customers from third states where money laundering and/or terrorist financing prevention measures are insufficient or do not conform to the international standards, and shall notify the FCIS about monetary operations and transactions which are being, have been or are attempted to be conducted, and which, in their opinion, may be related to money laundering and/or terrorist financing, even if they satisfy none of the criteria referred to in item 1 hereof. Government Resolution No. 942 (see Annex V) contains a list of criteria based on which a threat of the ML/FT is considered to be great and enhanced due diligence procedures must be conducted. Some of criteria: "2.7. A financial institution or another entity establishes elements that are not typical of a customer's activities (more frequent payments in cash, increasing sums involved in monetary operations, payment for products or services that are not related to the customer's main activities, etc). 2.8. A private customer's age, job position and financial standing (a customer's income is small compared to the scope of his financial activities) are objectively inconsistent with the financial activities performed by the customer."
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 12 (DNFBP)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*PEPs are not addressed through legal provisions and hence no awareness within some sectors of the DNFBPs.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The new AML/CFT Law contains a definition of politically exposed persons. The FCIS provides systematic education of obliged entities about trends and typologies in money laundering and financing of terrorism as a part of the awareness programs each year. On 2007 the FCIS organized 17 seminars on money laundering and terrorist financing issues. Seminars were provided for auditors and notaries.
Measures taken to implement the recommendations since the adoption of the first progress report	Implementing this recommendation of the MONEYVAL 3rd round evaluation report the law was amended accordingly and now the AML/CFT Law (see Annex I) contains definitions of politically exposed persons, their immediate family members and close associates as well as prominent public functions (Paragraph 16 of Article 2 of AML/CFT Law). DNFBPs have an obligation to conduct enhanced due diligence in case when the transactions or business relations are being conducted with politically exposed persons (Paragraph 1 of Article 11 of AML/CFT Law). The AML/CFT Law provides obligations for DNFBPs, including the approval of senior management for establishing business relationship with such person, taking adequate measures to establish the source of wealth and the source of funds and conduct enhanced ongoing monitoring of such business relationship. (Paragraph 4 of Article 11 of AML/CFT Law). The provisions of the AML/CTF Law provides that DNFBPs must establish appropriate internal control procedures related with due diligence of client and beneficial owner, as well as assessment of clients risk, management of the risk, other measures which will prevent money laundering and terrorist financing. These measures include the requirement to have appropriate risk-based procedures to determine whether the client is a politically exposed person. (Paragraph 4 of Article 11 of AML/CFT Law) Above mentioned requirements are also provided in supervisory authorities guidelines: • the FCIS Guidelines for: **1.** providers of postal services who provide services of domestic and international money transfers, **2.** persons engaged in economic-commercial activities related to trade in real estate other property the value of which is in excess of EUR 15 000 or an equivalent sum in foreign currency where payment is made in cash **3.** accounting undertakings or undertakings providing tax advice services. • the State Gaming Supervisory Commission Guidelines;

	• the Lithuanian Assay Office Guidelines; • the Chamber of Bailiffs guidelines • the Chamber of Notaries guidelines; • the Lithuanian Bar Association guidelines; • the Chamber of Auditors guidelines; • the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania Guidelines. Guidelines provide the rules regarding PEPs under the AML/CFT Law with specific enhanced customer due diligence requirements. Training for auditors was conducted on 2009. The main topics of the training program: legal AML/CFT basis; latest AML/CFT trends and typologies; new technologies involvement to ML schemes; ML indicators; FT indicators; international sanctions list; CDD process; Record keeping; STR reporting requirements; PEPs. Training program is foreseen for 2010 as well. The first priority is training course for DNFBPs.
Recommendation of the MONEYVAL Report	*More awareness on threats arising from technological developments and large complex transactions is needed.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The FCIS provides systematic education of obliged entities about trends and typologies in money laundering and financing of terrorism as a part of the awareness programs each year. Above mentioned subjects are included in program as well. On 2007 the FCIS organized 17 seminars on money laundering and terrorist financing issues. Seminars were provided for all (11) commercial banks of Lithuania.
Measures taken to implement the recommendations since the adoption of the first progress report	During 2009 special AML/CFT training program to all commercial banks and auditors was conducted by the FCIS. Approximately 400 persons were trained. The main topics of the training programs: legal AML/CFT basis; latest AML/CFT trends and typologies; new technologies involvement to ML schemes; ML indicators; FT indicators; international sanctions list; the UN Resolutions, the EU Common Positions; E-money; CDD process; record keeping; STR reporting requirements; PEPs; the FCIS as Lithuania FIU; international organizations to combat ML and FT. Training program is foreseen for 2010 as well. The first priority is training course for DNFBPs.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 16 (DNFBP)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To reconsider the exceptions in the AML Law for the legal profession. To a lesser extent, this may also be true of the gaming sector which believes that in implementing the AML measures it may be losing business.*
Measures reported as of 4 March 2008 to	Current MONEYVAL recommendation in this regard was reviewed on the AML/CFT Law adjustment stage with responsible institutions.

implement the recommendation of the report	Concerning gaming sector issues close cooperation on awareness programs are in process between the State Gaming Supervisory Commission and the FCIS.
Measures taken to implement the recommendations since the adoption of the first progress report	After the AML/CFT Law (see Annex I) and 4 Government Resolutions implementing the AML/CFT Law came into force, on 28 of February 2009 the State Gaming Supervisory Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing, for gaming companies. After that casino's began the process of adjustment of necessary legal documents under AML/CFT system requirements: • Requirement by Government Resolution No. 677 (see Annex III): Conditional features of the criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious shall be established by financial institutions and other entities on coordination with the FCIS. • Requirement by Government Resolution No. 562 (see Annex II): Financial institutions and other entities as well as the Lithuanian Bar, in coordination with the FCIS, shall establish the procedure of register filling and administration (including the requirements regarding organizational and technical measures intended to protect the register data from illegal destruction, alteration and use or any other type of unlawful handling). • Requirement of the AMF/CFT Law (Article 19): internal control procedures. At the time of mentioned process a series of meetings with associations were organised of casinos, the State Gaming Supervisory Commission and with the casinos itself. The FCIS designated contact persons responsible for contacts with associations and with the casinos. From the quality of the mentioned proceedings, the gaming sector is undoubtedly aware of their important role in the AML/CFT regime of Lithuania.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 22 (Foreign branches & subsidiaries)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To review the implementation of Recommendation 22 so that the essential criteria 22.1 and 22.2 are specifically addressed, formulated and implemented.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Implementing this recommendation of the 3rd MONEYVAL evaluation report the Law was amended accordingly and now the new AML/CFT Law provides that financial institutions and other subjects must apply requirements provided in the Law in the branches and majority owned subsidiaries in the third countries. The financial institutions and other subjects must inform the FCIS immediately if the third country legal acts

	do not allow applying adequate AML/CFT measures and in coordination with the FCIS taking additional measures allowing reducing the threat of money laundering and terrorist financing. The draft Guidelines of the BoL provides that credit institutions must pay particular attention that requirements of the AML/CFT Law are observed with respect to their branches and subsidiaries in countries which do not or insufficiently apply the FATF Recommendations as well as in the case when the minimum MAL/CTF requirements of the home and host countries differ, branches and subsidiaries in host countries must apply the higher standard, to the extent that local legal acts permit.
Measures taken to implement the recommendations since the adoption of the first progress report	As it was mentioned in the 1st progress report the AML/CFT Law implemented this recommendation of the MONEYVAL 3rd round evaluation report. That recommendation was implemented by the Bank of Lithuania Guidelines for credit institutions (15 May 2008) (see Annex VI) as well. Paragraph 64 of the Bank of Lithuania Guidelines for credit institutions provides that credit institutions must guarantee that their branches and subsidiaries operating in third countries in which they have a majority holding carry out their activities in observance of requirements established in these Guidelines. Particular attention of credit institutions must be paid to their branches and subsidiaries operating in third countries in which they have a majority holding and which do not apply the FATF recommendations or apply them inadequately. When provisions of legal acts of the Republic of Lithuania and third country regulating the prevention of money laundering and/or terrorist financing differ, credit institution branches or subsidiaries, in which the credit institution has a majority holding, must apply more stringent provisions of legal acts, to the extent permitted by third country legislation. If third country's legislation prevent from applying such equivalent requirements, credit institutions must forthwith notify the FCIS to the effect and on coordination with the latter take additional measures facilitating in effectively minimising the risk of money laundering and/or terrorist financing. Paragraph 66.6 of the Bank of Lithuania Guidelines for credit institutions provides that for the purpose of guaranteeing effective implementation of money laundering and/or terrorist financing risk management measures, credit institution managers must guarantee effective management of money laundering and/or terrorist financing risk at the level of the group controlled by the credit institution. The same provisions are reflected in Paragraphs 74 and 76.5 of the Lithuanian Securities Commission Guidelines.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 24 (DNFBP – regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To immediately review the legal contradictions concerning FCIS' supervisory powers vis à vis lawyers and lawyers' assistants and to put in place appropriate procedures as detailed under Section 3 to ensure appropriate ongoing monitoring and supervision.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	According to the provisions of the new AML/CFT Law the Lithuanian Bar Association will approve guidelines for lawyers and lawyers' assistants aimed at prevention of money laundering and terrorist financing, supervises the activities of lawyers and lawyers' assistants related to the implementation of preventive measures against money laundering and terrorist financing, consult lawyers and lawyers' assistants on the issues related with the implementation of abovementioned guidelines.
Measures taken to implement the recommendations since the adoption of the first progress report	According to AML/CFT Law (see Annex I) Paragraph 6 of Article 6, on 2 July 2009 the Lithuanian Bar Association approved guidelines, intended for prevention of money laundering and/or terrorist financing, for advocates and their assistants. The purpose of guidelines – to establish for lawyers and lawyers' assistants mandatory procedures for money laundering, and (or) anti-terrorist financing prevention measures. Guidelines provides that Lithuanian Bar Association shall appoint a responsible person, whose written guidelines on money laundering and terrorist financing prevention measures are mandatory for all lawyers. It also provides that lawyers and lawyers' assistants, then suspects that his client the transaction may be involved in money laundering and (or) the financing of terrorism activities, must report the customer data and information on suspicious transaction to the Lithuanian Bar Association immediately after the transaction, regardless of the amount transaction. Authorized person of the Lithuanian Bar Association no later than 3 working hours of the STR received, shall pass information to the FCIS. The Lithuanian Bar Association performs record keeping for lawyers and lawyers' assistants. A person responsible for the AML/CFT requirements implementation shall be appointed.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 27 (Law enforcement authorities)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*To ask the police to also take responsibility for investigations of ML and FT in their own field of competence, and to take awareness-raising measures on/and continue to provide training on methods to target the proceeds from crime.*
Measures reported as of 4 March 2008 to implement the	While carrying out pre-trial investigation in the criminal case, the police officers, depending on the scope of their competence and within the limits of the law, may appeal to the prosecutor who has the right to

recommendation of the report	temporarily encumber the property received or acquired in a criminal way by its ruling. While carrying out pre-trial investigation with an aim to ensure a possible civil lawsuit or possible property confiscation, police officers collect materials about property held by the suspect, money in the bank accounts, immovable property, also look for the property acquired, things that may have an effect on investigating or hearing the case in all pre-trial investigation cases. These materials are submitted to the prosecutor who decides whether it is expedient to temporarily encumber the suspect's property. Professional skills of the criminal police officers are regularly advanced, as well as training is arranged. For example, seminars titled "Fight with terrorism", "Investigation of crimes and criminal offences against economics and business order" were held in 2007. Number of awareness trainings to Police department was provided by the FCIS concerning needs to investigate financial side of the crime and money laundering, introducing cooperation possibilities.
Measures taken to implement the recommendations since the adoption of the first progress report	On 6 August 2009, order No. 17.2.-13753 of the General Prosecutor was sent to the Chief Prosecutors of the Department, Divisions of General Prosecutor's Office and territorial Prosecutor's Offices. It is stated that despite the fact that it is recommended to oblige the FCIS to carry out investigation of the criminal acts provided in Article 216 of the Criminal Code, however all the other pre-trial investigation institutions, as well as prosecutors, in the investigations carried up by them related to the property or money acquired in the criminal way should also investigate the presence of any indications of crime provided in Article 216 of the Criminal Code. This was also pointed out by the experts of the United Kingdom in the above mentioned Twinning project „Strengthening Prosecution of Fraud in Lithuania". Article 2 of the Code of Criminal Procedure provides that a prosecutor in every case, whenever the indications of criminal act turn out, must take within his/her competence all the measures within the law to carry out investigation in the shortest time and disclose the criminal act, therefore in all the cases, whenever the indications of the criminal act provided in Article 216 of the Criminal Code are determined, it is necessary to initiate the pre-trial investigation and carry it out in the shortest time. Officers of all pre-trial investigation institutions, whose direct function is prosecution of crimes, are competent of performing financial investigation of the crimes, through which proceeds were obtained or assets of any form were acquired, i.e. to perform a search of such assets and to evaluate whether there is evidence of legalization of criminal proceeds or money. Of course, professional competences of the officers are not equal; however, competent institutions often share their experience and, organize inter-institutional investigation groups when necessary. The Prosecutor General's Office prepares annual refresher course programs tailored for prosecutors. These programs schedule educational events related to the issues of economics of crime, business order, and financial system. By order Nr. 5-V-395 of General Commissioner of the Lithuanian Police

	of 4 June 2009 „On the establishment of the commission for the implementation of regulations on implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime“ the Commission (hereinafter referred to as the Commission) has been established from the competent representatives of the Lithuanian Criminal Police Bureau and the representative of the Criminal Police Board of the Police Department under the Ministry of the Interior, which was authorized to present till 31 March 2010 suggestions to the General Commissioner of the Police on application in practice of the provisions of Resolution No. 178 of 4 March 2009 On implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime.” and amendment of the due legal acts in force. The Commission held five meetings. Members of the Commission took note of the various best practices in this area (Austria, Ireland, Great Britain, France, Holland, Estonia, Germany). The Working Group for the Coordination of the Police Actions Against the Terrorism Threats, established on the 7 May, 2004 by the order No. V-208 of the Lithuanian Police Commissioner General, is continuing its work. The main functions of the Group are as follows: to organize the police activities to prevent terrorism, to collect and analyze information received at the police institutions related to possible terrorism threats inside the country as well as abroad, to cooperate and exchange the information available with the competent institutions of the Lithuania and foreign countries, to present suggestions within its competence to the Police Commissioner General on the improvement of the legal basis, arrangement and coordination of the activities of the police as well. Implementing the inter-institutions program against terrorism of the Republic of Lithuania, it is planned to adopt in 2010 the long-term program of preventive measures counteracting terrorism, determining the long-term goals and tasks of the Police in the spheres of improvement of disclosure of terrorist crimes (including terrorist financing), prosecution, investigation and prevention system. The representative of the Police Department under the Ministry of the Interior participates in the activity of the inter-institutional working group, established on 22 September 2009 by the order of the director of the FCIS which consists of the representatives of different competent state institutions and professional associations responsible for implementation of measures of prevention of money laundering and terrorist financing. The close cooperation issues are discussed in above mentioned Working Group meetings meeting As the result of above mentioned meetings could be mentioned activities of several investigation groups consisted of officers of the FCIS and Police. Joint teams eliminated human trafficking and prostitution network acting all across the EU as well as drug distribution network. In these cases, pre-trial investigations according Article 216 of Criminal Code

	were initiated. On 15-16 September 2009 the representatives of the Lithuanian Criminal Police participated in the international training course organized by the Federal Bureau of Investigation of the USA and State Security Department of the Republic of Lithuania „Investigation Peculiarities of Islamic Culture, Islamic Extremism and the Events related to the Muslim Community". The issues of terrorist financing was discussed place of the abovementioned event was the Training Centre of the Lithuanian Police. The annual plans (programs) for the qualification improvement of the police officers are being established at the Police Department under the Ministry of the Interior, in which the training themes are established each year on the matters of crimes against economy and business order. A further process of active use and exchange of information via Interpol and Europol channels continues.
Recommendation of the MONEYVAL Report	*To clarify/amend as appropriate the legal framework for the use of special investigative techniques also in ML and FT cases, and to ensure that the provisions of the Law on Operational Activities and the Code of Criminal Procedure are consistent.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	There have been no changes in the legal framework for the use of special investigative techniques in ML and FT cases since the last evaluation as well as amendments of provisions of the Law on Operational Activities and the Code of Criminal concerning consistency between these two acts.
Measures taken to implement the recommendations since the adoption of the first progress report	Since the adoption of the 1st progress report, the working group at the Ministry of Justice has continued its work in preparing and coordinating amendments and supplements of Lithuanian Criminal Code which should fully implement recommendations of the MONEYVAL. During the mentioned period there were initiated three coordination rounds among the state and scientific institutions, as the views on the initial draft of the Criminal Code differed extremely between practitioners and scientists. The Government of the Republic of Lithuania shall present consentaneous draft of the Criminal Code to the Parliament and the draft of the Criminal Code should be further considered and adopted in the Parliament's spring session 2010. Therefore, the consistency issues will be reviewed after the Parliament adoption of new ML definition in the Criminal Code.
Recommendation of the MONEYVAL Report	*To review the effectiveness of efforts of the criminal police and prosecution services, together with their needs, in particular the services dealing with FT and predicate crimes which are important from the perspective of AML (e.g. department dealing with organized crime and terrorism, department dealing with counterfeited currencies and credit cards etc.).*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Regular cooperation is maintained with the General Prosecutor's Office while carrying out pre-trial investigation in criminal cases, preparing common recommendations. In August 2007, a seminar "Strengthening of criminal prosecution for fraud" was held where experts from Great Britain and Ireland presented recommendations regarding strengthening of criminal prosecution for fraud, confiscation of means and profit, also discussed recommendations on expediency of confiscating indirect income. This project is intended for adoption of positive practice of the law-

	enforcement institutions of the EU Member States in the field of fight against fraud, also for strengthening the efficiency of prosecution and inter-institutional co-operation in this field. Within the framework of the said project the analysis of inter-institutional co-operation gaps was conducted, a reliable control system is being developed so as to ensure a closer inter-institutional co-operation. Moreover, experts indicated that when investigating cases of fraud it is always important to conduct a financial investigation as well. All cases should be investigated whether they have the signs of money laundering. Founding of a central financial investigations subdivision or forming such subdivisions in each institution should be considered. Work group concluded that financial investigation is necessary and it is partially conducted, however, it was supposed that the officers conducting pre-trial investigation should also conduct a financial investigation. A common opinion was that separate posts of financial investigations would actually be necessary if a law providing for a possibility of forfeiture of property acquisition legitimacy of which can not be proven was not adopted. The police, as a universal pre-trial investigation institution, investigate more than 80 per cent of all crimes and criminal offences against economics, business order and the financial system registered in the country. (In 2005-90 per cent, in 2006- 86.7 per cent), therefore the police units are strengthened. For example, by Order No.. 5-V-505 of the Lithuanian Police General Commissar of 27 July 2007 an operational plan of "Measures for Implementing the Development of the Lithuanian Police System" was approved on which basis a specialized crime investigation institution – the Lithuanian Criminal Bureau was strengthened. From 20 August 2007, a division for fight with terrorism (5 positions of officers) within the Chief Board No.. 2 of the Organized Crime Investigation Service of the Lithuanian Criminal Police Bureau was established. Number of awareness trainings to Police department was provided by the FCIS concerning needs to investigate financial side of the crime and money laundering, introducing cooperation possibilities**.**
Measures taken to implement the recommendations since the adoption of the first progress report	On 7 of December 2007 the Prosecutor General's Office of the Republic of Lithuania in cooperation with the UK Ministry for Enterprise, Trade, and Investment and Public Sector Enterprises Limited (NI-CO) of Northern Ireland officially finished the Twinning Project LT2005/IB/JH/01 "Strengthening Prosecution of Fraud". Within the framework of this project the Strategy of Strengthening Prosecution of Fraud in Lithuania was prepared. After inter-institutions consideration, on 28 of September 2009, the Order on the Plan of Strengthening of Prosecution of Fraud in Lithuania and the Means of Implementation Whereof was signed. This order has been collectively signed by the Prosecutor General's Office, Special Investigation Service, Police Department, FCIS, Criminal Service of Lithuanian Customs and State Border Guard Service. This plan provides a range of tools for combating financial crimes. Currently, the law enforcement institutions seek, that in all pre-trial investigations of crimes, through which income or other kind of assets

	were received, a thorough search is done, while looking for such assets; the investigators should also look for evidence whether the proceeds from crime (money or assets) have been legalized. Seeking to establish the specialization system of the pre-trial investigation officers, carrying out the pre-trial investigation of criminal acts of money laundering, fraud and other economical crimes, in 10 territorial police institutions there are specialized criminal police divisions of economic crime investigation: 1. Economic Crime Investigation Division of Crimes Investigation Board of Vilnius County Chief Police Commissariat (2 subdivisions), 25 positions; 2. Economic Crime Investigation Division of Crimes Investigation Board of Kaunas County Chief Police Commissariat (3 subdivisions), 42 positions; 3. Economic Crime Investigation Division of Crimes Investigation Bureau of Klaipėda County Chief Police Commissariat (2 subdivisions), 26 positions; 4. Economic Crime Investigation Division of Crimes Investigation Bureau of Šiauliai County Chief Police Commissariat 20 positions; 5. Economic Crime Investigation Division of Crimes Investigation Bureau of Panevėžys County Chief Police Commissariat 16 positions; 6. Economic Crime Investigation Sub-division of Crimes Investigation Division of Utena County Chief Police Commissariat 3 positions; 7. Economic Crime Investigation Unit of Crimes Investigation Division of Tauragė County Chief Police Commissariat 3 positions; 8. Economic Crime Investigation Sub-division of Crimes Investigation Division of Alytus County Chief Police Commissariat (4 units) 10 positions; 9. Economic Crime Investigation Sub-division of Crimes Investigation Division of Telšiai County Chief Police Commissariat 4 positions; 10. Economic Crime Investigation Sub-division of Crimes Investigation Division of Marijampolė County Chief Police Commissariat 4 positions. Second Crime Investigation Board of the Lithuanian Criminal Police (3 divisions), 18 positions. These investigators have been assigned to work with this concrete category of crimes, at the same time participating in the investigations related to the crimes of other categories. Police investigators carrying out pre-trial investigations of moderate and serious crimes are targeted to the direction that during the pre-trial investigations the process of collection of information about the suspect and property, transactions, financial operations of natural and legal persons related to him would be secured, aiming to detect whether the property and/or money acquired in the criminal way was legalized and ensure the possible confiscation of property and reimbursement of the damage made by the criminal act. Implementing the measures of “Strengthening Prosecution of Fraud” plan, it is foreseen to establish the inter-institutional working group, which would produce recommendations on the financial investigation, in which it would be indicated, what sort of procedural etc. Actions should

	be performed during the financial investigation.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	"Aiming for the more effective activity of the operative activity subjects, disclosing criminal acts against economy and business order, crimes against financial system, frauds, the efficiency criteria have been approved by Order No. 5-V-(S)-3(RN) of the General Police Commissioner of 30-01-2009.".

Recommendation 32 (Statistics)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Statistics on temporary measures and confiscation should be kept.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Information related to temporary limitation of ownership are accumulated in the IT and Communications Department under the Ministry of Interior of the Republic of Lithuania. Information related to forfeiture of property is accumulated in the National Courts Administration.
Measures taken to implement the recommendations since the adoption of the first progress report	The were no changes in this regard.
Recommendation of the MONEYVAL Report	*To improve the collection of statistics, with several breakdowns which would enable also the authorities to review the effectiveness of their international cooperation in the field of AML/CFT.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	In October 2007 a new computer informational system of prosecution services (IPS) was installed and started functioning in order to optimize the activity coordination in the prosecution system. Besides other information the said system shall accumulate the data on execution of requests for legal assistance, European Arrest Warrants, extraditions on the grounds of a separate article of the Criminal Code.
Measures taken to implement the recommendations since the adoption of the first progress report	IT and Communications Department at the Ministry of the Interior is implementing the EU project under title Modernization of the National Register of Convictions in Order to Connect it to the future European criminal records system. Computer Information System of Prosecution Services (IPS) will also be incorporated in the aforementioned system.
Recommendation of the MONEYVAL Report	*To improve the collection of statistics, with several breakdowns which would enable also the authorities to review the effectiveness of their ability to cooperation in the field of extradition in relation with AML/CFT.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	See information above.
Measures taken to implement the recommendations since the adoption of the first progress report	All needed statistics are kept by the Prosecutor's General Office.

(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation 33 (Legal persons – beneficial owners)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*As a minimum, current qualifying shareholders (10% and more) should be recorded in the Register of Legal Persons and such information should be made available to the relevant competent authorities. It should be a statutory obligation to keep the Register up to date in this way.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The Draft Law amending Article 12 and supplementing Article 41 of the Law on Companies (No.. IX-1594) (hereinafter – the Draft Law) has been prepared and presented for the coordination among institutions concerned in January 2007. According to the Draft Law, Art. 12 of the Law on Companies (which specifies what type of information should be recorded in the Register of Legal Persons) should be supplemented by the provision that *the data of shareholders of a company having not less than 1/20 of the shares of a company, the number and class of such shares are recorded in the Register of Legal Persons.* The draft provision supplementing Art. 41 of the Law on Companies sets out the procedure for presenting data on shareholders having not less than 1/20 of the shares of a company to the Register of Legal Persons: *account managers and (or) private companies that have issued shares and are responsible for the accounts of the shares shall present information regarding shareholders, having not less than 1/20 of the shares of a company, the number of shares and their class to the Register of Legal Persons according to the rules, laid down by the Government.* Currently the Draft Law is being discussed by the appropriate committees in the Seimas of the Republic of Lithuania (Parliament). The Draft Law has been criticized by the relevant institutions, the Government of the Republic of Lithuania and some committees of the Seimas (Law Department of Seimas Chancellery, Budget and Finance Committee) for the following reasons: - the purpose of the Law on Companies is to regulate the incorporation, management, activities, reorganisation, transformation, division and liquidation of companies having the legal form of a public and private limited liability company, the rights and duties of the shareholders as well as the establishment of branches of foreign companies and termination of their activities. Thus, the proposal to include a rule to indicate in the Register of Legal Persons shareholders of a company having not less than 1/20 of the shares of a company is not in conformity with the aim of the Law on Companies. Furthermore, such an obligation is not envisaged in EU company law – i.e. in the Twelfth Council Company Law Directive 89/667/EEC. Taking into consideration the purpose of the Draft Law, namely that competent authorities could use such information for the prevention of corruption and money laundering, such a requirement could be contained in other laws, e.g. the Law on the Prevention of Money Laundering, etc., as company law and financial offences are distinguished

	in EU law; - considering provisions of Art. 27 and 28 of the Law on Companies, 1/20 part of the shares of a company is not decisive in the decision making process (at the general meeting of shareholders of a company). Moreover, under Article 2.89 of the Civil Code a member of a legal person may transfer his right to vote at the general meeting of members of a legal person to other persons and establish the procedure and modes of exercising the voting right for 10 years – in such a case important decisions concerning companies activities shall be taken by other person, not the actual shareholder; - in accordance with Art. 2.71 of the Civil Code data of the Register of Legal Persons, documents stored in the Register of Legal Persons as well as any information supplied to the Register of Legal Persons shall be made public. The purpose of providing information on shareholders is that competent authorities (including financial institutions) could obtain or have access in a timely fashion, to adequate, accurate and current information on the shareholders of a company, but as a result, such information will be available for everyone. Such disclosure of shareholders information is not in conformity with the principle of disclosure applicable in EU company law; - under Art. 37 (11) of the Law on Companies the manager of a private limited liability company is responsible for keeping the register of owners of shares in the company except for cases when the record of shares is a responsibility of the administrators of accounts. According to Art. 41 of the Law on Companies, personal securities accounts of shareholders of a public limited liability company shall be operated according to the procedure laid down in the legal acts regulating the securities market, i.e. by the administrators of accounts (financial brokerage companies). Therefore, the liability of presenting such data on shareholders to the Register of Legal Persons is not clearly settled: according to Art. 2.82 of the Civil Code a managing body shall be responsible for presentation of documents and data to the Register of Legal Persons, but such liability is not imposed on other administrators of accounts, i.e. financial brokerage companies. It must be noted that the discussions on the Draft Law have not been completed in the Seimas yet. However, the alternative way of implementing R.33 has been discussed during the meeting of the representatives of the institutions concerned (which was organized by the Ministry of Economy of the Republic of Lithuania in February 2007). In order for competent authorities (including financial institutions) to obtain or have access, in a timely fashion, to adequate, accurate and current information on the beneficial ownership and control of legal persons, the following steps could be taken: - revoking the right of private limited liability companies to keep personal securities accounts of shareholders; personal securities accounts of shareholders of a private limited liability company shall be operated in the same manner as public limited liability companies, i.e. by the administrators of accounts (financial brokerage companies) (amendment of the Law on Company and relevant laws, regulating securities market would be necessary); - establishing a specialised database (register) for information and data regarding shareholders of a company having not less than 1/20 of the shares of a company, the number and class of such shares; such database will be available only for competent authorities (including financial institutions);

	- the administrators of accounts (financial brokerage companies) should be made obliged to present information regarding the shareholders of their administrated accounts (setting the procedure for presenting information and their liability for not presenting such information). It should be remarked that the above-mentioned alternative way should be further examined only following the completion of discussions regarding the Draft Law have been be finalized in the Seimas (on estimate by the end of 2007).
Measures taken to implement the recommendations since the adoption of the first progress report	According to the Article 12 of the Law on Companies the particulars of the shareholder of the private limited liability company or public limited liability company if it is a single member company shall be submitted to the Register of Legal Persons. As a result the data of the shareholder of a company having all shares of a company are already being recorded in the Register of Legal Persons. The Parliament adopted the Law amending Articles 2, 4, 7, 10, 11, 12, 14, 17, 18, 26, 26(1), 32, 34, 35, 37, 41, 45, 47, 48, 53, 57, 62, 63, 65, 72, 73, 74, 75, 77, 78 and supplementing Article 41 (1) of the Law on Companies on 15 December 2009. This law (with some exceptions) entered into force on 1 March 2010. According to the Article 41 (1) of the Law on Companies, private limited liability companies are obliged to draw their shareholders' lists and submit the lists to the Register of Legal Persons (within 5 days from the date of the drawing up of the list). Private limited liability companies, incorporated prior to 1 March 2010, will have to submit their shareholders' list to the Register of Legal Persons not later than 1 October 2010. Whenever data included in the shareholders' list changes, the whole new list has to be submitted to the Register of Legal Persons (within 5 days from the date of the drawing up of the new list). The manager of the private limited liability company shall be responsible for drawing up of the shareholders' list and submitting it to the Register of Legal Persons. In the cases of failure to submit the shareholders' list to the Register of Legal Persons on terms set by the Law on Companies or submitting the list which doesn't meet the requirements of the aforementioned Law (e.g. submitting the list which contains incorrect data) the penalty shall be from 100 LTL to 5000 LTL (Article 172 (2) of the Code of Administrative Infringements). It should be mentioned, that under Laws the particulars of the members of certain legal persons (e.g. the owner of an individual enterprise) have be submitted to the Register of Legal Persons as well. In accordance with Article 2.71 of the Civil Code data of the Register of Legal Persons, documents stored in the Register of Legal Persons as well as any information supplied to the Register of Legal Persons is public. As a result, information on members (shareholders, owners etc.) of legal persons submitted to the Register of Legal Persons is available to everyone including the relevant competent authorities.

Recommendation 40 (Other forms of cooperation)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*The issue of co-operation and exchange of information in the Law on the FCIS should be further clarified as in other laws by the inclusion of a specific reference to the exchange of information. This may also require an amendment to paragraph 5 of Article 5 of the AML Law.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Implementing this recommendation of the MONEYVAL experts Article 5 of the Law was amended and now it states that the FCIS shall have competence not only to co-operate but to exchange information with foreign state institutions and international organizations implementing the measures for the prevention of money laundering and terrorist financing as well.
Measures taken to implement the recommendations since the adoption of the first progress report	There were no changes in this regard.
Recommendation of the MONEYVAL Report	*To consider the extent to which financial supervisory authorities directly co-operate and exchange information in relation to both money laundering and the underlying predicate offences, as opposed to these functions being vested within the competences of the FCIS, and Lithuanian authorities should legislate accordingly.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The new AML/CFT Law provides that competent and supervisory institutions and the FCIS cooperate and exchange the information in accordance with the procedure agreed between them about the results of performed inspections of the activities related with implementation of the measures of the prevention of money laundering and terrorist financing.
Measures taken to implement the recommendations since the adoption of the first progress report	Implementing the requirements of Paragraph 14 Article 4 of the AML/CFT Law (see Annex I) the FCIS signed agreements on coordination of supervision actions with all competent state institutions responsible for implementation of the measures of prevention of money laundering and terrorist financing in 2009. The agreements provide ways of cooperation and exchange of information between the FCIS and competent authorities. Obligations of the parties: the FCIS: 1) to inform the other party about violations of the legal acts related to implementation of prevention of money laundering and/or terrorist financing in activities of financial institutions or other entities determined during the FCIS inspections; 2) to assist the competent authority exercising inspections of activities of financial institutions or other entities; 3) to provide information necessary for performance of the competent authority's functions as well as consult staff of the competent authority about issues related to implementation of measures of prevention of money laundering/terrorist financing. The competent authorities: 1) to inform the FCIS about violations of the legal acts related to implementation of prevention of money laundering and/or terrorist financing in activities of financial institutions or other entities as well as

	about noticed indications of suspected money laundering and/or terrorist financing determined during the inspections; 2) to assist the FCIS exercising inspections of activities of financial institutions or other entities; 3) provide information necessary for performance of the FCIS functions as well as consult staff of the FCIS about issues related to activities of financial institutions or other entities. Parties inform each other about inspections of financial institutions or other entities: 1) before the inspections – about planned inspections or *ad hoc* inspections no later than specific timeframe before the inspection; 2) after the inspection - about the results of inspection and measures taken no matter where some violations found or not.
Recommendation of the MONEYVAL Report	*The above should be similarly addressed for the State Gaming Control Commission.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The abovementioned provision applies to the State Gaming Control Commission as well.
Measures taken to implement the recommendations since the adoption of the first progress report	Implementing the requirements of Paragraph 14 Article 4 of the AML/CFT Law (see Annex I) the FCIS signed agreements on coordination of supervision actions with the State Gaming Security Commission. The agreements provide ways of cooperation and exchange of information between the FCIS and the State Gaming Security Commission. Obligations of the parties: the FCIS: 1) to inform the other party about violations of the legal acts related to implementation of prevention of money laundering and/or terrorist financing in activities of casinos; 2) to assist the competent authority exercising inspections of activities of casinos; 3) to provide information necessary for performance of the competent authority's functions as well as consult staff of the competent authority about issues related to implementation of measures of prevention of money laundering/terrorist financing. The State Gaming Security Commission: 1) to inform the FCIS about violations of the legal acts related to implementation of prevention of money laundering and/or terrorist financing in activities of casinos as well as about noticed indications of suspected money laundering and/or terrorist financing determined during the inspections; 2) to assist the FCIS exercising inspections of activities of casinos; 3) provide information necessary for performance of the FCIS functions as well as consult staff of the FCIS about issues related to activities of casinos. Parties inform each other about inspections of casinos: 1) before the inspections – about planned inspections or *ad hoc* inspections no later than specific timeframe before the inspection; 2) after the inspection - about the results of inspection and measures taken

	no matter where some violations found or not.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation SR I (Implement UN instruments)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*Many uncertainties remain as to whether all efforts have been made to ensure that UNSC Resolutions are adequately known and implemented; results appear to be very modest.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Lithuania has continued and stepped up its efforts to ensure adequate awareness and implementation of international sanctions, including relevant UNSC Resolutions. Internet website has been launched (http://www.urm.lt/index.php?104724489) to promote wider awareness of the implementation of international sanctions in general public as well as business community. It provides relevant information on: a. nature of international sanctions and their objectives; b. relevant legal framework, in particular, international, European and national legislation applicable with respect to implementation of international sanctions; c. list of all currently applicable international sanctions, including financial sanctions; d. updates on current developments. A seminar to representatives of commercial banks was organized in Vilnius, which included a presentation of the legal framework for implementation of international sanctions, sharing of experience and best-practices. Series of seminars on export controls to state authorities and business community in May and June 2007 included presentations by MFA officials of a system for implementation of international sanctions in Lithuania.
Measures taken to implement the recommendations since the adoption of the first progress report	There were no major changes in this respect. The Ministry of Foreign Affairs is continuously improving internet website on implementation of international sanctions (http://www.urm.lt/index.php?104724489). In 2009 at RELEX meeting EU Presidency (Czech Republic) announced this website as the most informative sanctions website of EU. During 2009 a special AML/CFT training program for all commercial banks and auditors was conducted by the FCIS. Approximately 400 persons were trained. The main topics of the training programs included FT indicators, international sanctions list, the UN Resolutions, the EU Common Positions. Government Resolution No. 677 (see Annex III) approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS.

	One of the criteria states that a monetary operation or transaction is to be regarded as suspicious the customer, the customer's representative (if a monetary operation is carried out through the customer's agent), the entity for the benefit whereof a monetary operation is performed are subject to financial sanctions in accordance with the Law on the Implementation of Economic and other International Sanctions of the Republic of Lithuania of 22 April 2004. Obligation to report suspicious operations and transactions, besides AML/CFT Law, Government Resolution No. 677 is provided in guidelines issued by the supervisory authorities. Mentioned issues were discussed in joint steering group which consists of the representatives of different competent state institutions and professional associations responsible for implementation of measures of prevention of money laundering and terrorist financing and provided in special AML/CFT training program to all commercial banks and auditors was conducted by the FCIS. Approximately 400 officers were trained.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation SR III (Freeze and confiscate terrorists assets)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*To make sure*: • *Lithuania can act in relation to European Union internals and on behalf of other jurisdictions*[4] • *all entities bound to apply international sanctions have been given adequate information about their duties and communication mechanisms exist with all financial intermediaries and DNFBP* • *a clear and publicly known procedure is in place for de-listing and unfreezing in appropriate cases in a timely manner.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	With regard to EU internals, on 9 February 2006, the Government adopted Decree N°137 on measures implementing international sanctions aiming at EU internals (persons and entities), which ensures that international sanctions are equally applied to EU internals (persons and entities). The Decree was renewed on 18 October 2006 by the Decree No.. 1027. A renewed decree is currently under preparation. In relation to action on behalf of other jurisdictions, the Decree of the

[4]In the week of the adoption of the report, the Lithuanian authorities advised that on 9 February 2006, the Government adopted Decree N°137 on measures implementing international sanctions aiming at EU internals (persons and entities). A list of EU internals (persons and entities) subject to financial sanctions is attached to the Decree. In relation to action on behalf of other jurisdictions, the Decree of the Government of Lithuania N° 1411 of 6 September 2006 provides for such action. According to para. 1.20 of the Decree, a financial transaction is to be considered suspicious if data of the client or its proxy corresponds, inter alia, with the data in the list submitted by responsible foreign state institutions.

	Government of Lithuania N° 1411 of 6 September 2006 provides for such action. According to para. 1.20 of the Decree, a financial transaction is to be considered suspicious if data of the client or its proxy corresponds, inter alia, with the data in the list submitted by responsible foreign state institutions. Regarding the de-listing procedure, Lithuania: o for the persons and entities associated with Usama bin Laden, the Al-Qaida network and the Taliban - will make use of the Focal Point established by the United Nations Security Council Resolution No. 1730(2006) o for the persons and entities to whom European Union Council Common Position on the application of specific measures to combat terrorism applies – will use the standard EU procedure**.**
Measures taken to implement the recommendations since the adoption of the first progress report	A renewed Government Resolution of 6 February 2008 No.. 113 on the Measures to Implement in the Republic of Lithuania International Sanctions Laid Down in the Council Common Position 2001/930 CFSP of 27 December 2001 on Combating Terrorism was passed. This document repealed the Government Resolution of 18 October 2006 No.. 1027. Also Resolution of Government of 6 September 2002 No.. 1411 was replaced by Government Resolution No. 677 on the Criteria, according to which financial operation or transaction is to be considered suspicious or unusual, and halting financial operations and transactions and the Order of information submission on suspicious or unusual financial operations and transactions to the FCIS (see Annex III). The implementation of international sanctions is regulated and amended by Resolutions of the Government of the Republic of Lithuania and the Regulations of the European Union, directly applicable in the Republic of Lithuania. The persons are obliged to implement financial sanctions and to perform the actions established in Resolutions of the Government of the Republic of Lithuania on the implementation of international sanctions and in the Regulations of the European Union on the international sanctions and exceptions of their implementation.
Recommendation of the MONEYVAL Report	*To ensure adequate monitoring of compliance is taking place in practice.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	Ministry of Foreign Affairs is responsible for overall coordination of implementation of international sanctions in Lithuania through making necessary changes to national legislation, participation in drafting international and European legislation and contributing to raising awareness of general public and business community**.**
Measures taken to implement the recommendations since the adoption of the first progress report	Law on the Implementation of Economic and Other International Sanctions describes financial sanctions as restrictions on the rights of entities, with respect to which international sanctions are implemented, to manage, use and dispose of cash, securities, goods, other assets and property rights; payment restrictions for entities with respect to which international sanctions are implemented; other restrictions on financial activities. Article 12 of mentioned Law “Institutions supervising the implementation of international sanctions” provides that the FCIS, the Customs Department under the Ministry of Finance, the Insurance Supervisory

	Commission, the Lithuanian Securities Commission is responsible for supervision of the implementation of financial sanctions. According the Order of Director of the FCIS On the Approval of the Instructions Concerning the Proper Implementation of International Sanctions in the Regulation Sphere of the FCIS, financial institutions must ensure that the accounts of the subjects with respect to which international sanctions are implemented would not be in disposition. The financial institutions, which have suspended the disposition of the accounts of the subjects, against whom financial sanctions are being implemented, must report in the period of 2 working days to the FCIS. Government Resolution No. 677 (see Annex III) approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS. One of the criteria states that a monetary operation or transaction is to be regarded as suspicious the customer, the customer's representative (if a monetary operation is carried out through the customer's agent), the entity for the benefit whereof a monetary operation is performed are subject to financial sanctions in accordance with the Law on the Implementation of Economic and other International Sanctions of the Republic of Lithuania of 22 April 2004 (criteria No. 1.24). Obligation to report suspicious operations and transactions, besides AML/CFT Law, Government Resolution No. 677 is provided in guidelines issued by the supervisory authorities. Compliance with requirements are verified by the FCIS during on site inspections. Mentioned issues were discussed in joint steering group which consists of the representatives of different competent state institutions and professional associations responsible for implementation of measures of prevention of money laundering and terrorist financing. During 2009 a special AML/CFT training program to all commercial banks and auditors was conducted by the FCIS. Approximately 400 persons were trained. The main topics included FT indicators, international sanctions lis, the. UN Resolutions, the EU Common Positions, etc.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation SR VII (Wire Transfers)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*The provisions of SR VII on wire-transfers are not directly addressed but various pieces of legislation seem to be relevant to different aspects. The Lithuanian authorities acknowledge this and expect to fully comply with SR VII once the relevant EU-Regulation is adopted. This notwithstanding, it was recommended that the new regulations be made applicable to the Post Office as a provider of wire-transfer services.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	The EU Regulation No. 1781/2006 on information on the payer accompanying transfers of funds is in force since 1 January 2007 in Lithuania. This legal act fully implements the requirements of SR VII and applies directly in all the EU member states, including Lithuania. Implementing abovementioned recommendation of the MONEYVAL experts the AML/CFT Law was amended and now states that postal services providers performing internal or international money transfers when an amount of money transfer (incoming or outgoing) is above 600 Euros or its equivalent in foreign currency must apply customer due diligence procedures and identify the client and the beneficial owner. The postal services providers are obliged to report the FCIS about the cases of suspicious and unusual financial operations and transactions**.**
Measures taken to implement the recommendations since the adoption of the first progress report	Implementing Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market, in December 2009 Law of the Republic of Lithuania on Payment Institutions was adopted. The purpose of this law is to establish legal conditions for a newly licensed and supervised category of economic entities, namely payment institutions, to provide payment services in the Republic of Lithuania. The Law on Payment Institutions stipulates that supervision of payment institutions is performed by the Bank of Lithuania, and it regulates the activities, licensing, supervision, reorganization, liquidation and bankruptcy procedures and other peculiarities of payment institutions. For payment institutions, as well as for other credit institutions, Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds and the AML/CFT Law (see Annex I) are applied. The latter establishes the obligation for the Bank of Lithuania to approve guidelines issued to payment institutions aimed at prevention of money laundering and/or terrorist financing, to supervise the activities of payment institutions on the prevention of money laundering and/or terrorist financing, to consult payment institutions on the implementation of the guidelines. According to the Law of the Republic of Lithuania on Payment Institutions, the Bank of Lithuania, upon the application of a payment institution to get a license, verifies the internal control system which is implemented (will be implemented) in order to fulfil the obligations related to prevention of money laundering and terrorist financing, verifies whether the managing staff of the payment institution meets the established requirements, including that they have not been convicted of a crime or a criminal offence related to money laundering or terrorist financing. Moreover, exercising its functions related to prevention of money laundering and terrorist financing, the Bank of Lithuania has the right to carry out on-site inspection of a payment

	institution, its branch, agent or other entity to which activities are outsourced. Following the provisions of the AML/CFT Law, in December 2009 the Board of the Bank of Lithuania by its resolution approved Guidelines on the Prevention of Money Laundering and Terrorist Financing for Payment Institutions. The guidelines are analogous to those applied to credit institutions; however, the peculiarities of payment institutions' activities are taken into account. A transitional period is provided for the economic entities which were already providing payment services before the Law on Payment Institutions entered be able to continue their activities not holding the license of a payment institution but in accordance with the requirements of legal acts regulating the prevention of money laundering and terrorist financing and provision of payment services as well as other legislation. As regards post office as wire transfers provider, it is covered by the new Law on Payment Institutions. Such activities of post office must be licensed and supervised by the Bank of Lithuania. In accordance with the requirements of the AML/CFT Law the post office must apply the provisions of the AML/CFT Law concerning customer due diligence, record keeping, reporting to the FCIS etc.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives)	

Recommendation SR VIII (Non-profit organisations)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*To re-consider the oversight procedures for non-profit organisations to ensure that mechanisms are in place to avoid the use of such organisations for the financing of terrorism.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	This issue will be covered by the Government resolution on implementation of the MONEYVAL recommendations. The State Tax Inspectorate will be responsible institution for oversight of activities of non-profit organisations. According to the provisions of the AML/CFT Law, law enforcement and other state institutions must report to the FCIS about any indications of suspected money laundering and terrorist financing, the violations of this Law and the measures taken against the perpetrators.
Measures taken to implement the recommendations since the adoption of the first progress report	Law on Charity and Sponsorship (see Annex VIII) establishes the framework for providing and receiving charity and sponsorship, the purposes of providing and receiving charity and sponsorship as well as the providers and recipients of charity and sponsorship; it also regulates charity and sponsorship accounting and control where the providers and/or recipients of charity and/or sponsorship are entitled to reliefs from taxes and customs duties prescribed by the laws. Article 15 of Law on Charity and Sponsorship provides fund shall be registered in the Legal Entities' Register in accordance with the procedure

	laid down in legal acts. Article 12 of Law on Charity and Sponsorship states, that the providers of sponsorship shall keep accounts for sponsorship; they must indicate the data concerning specific recipients of sponsorship, items of sponsorship and their value. The providers of sponsorship shall submit monthly and annual reports on the sponsorship provided to the State Tax Inspectorate subject to the terms and procedure established by the Government of the Republic of Lithuania or an institution authorised by it. A monthly report shall be submitted where the amount of the sponsorship provided since the beginning of a calendar year to a single recipient of sponsorship exceeds LTL 50 000. Legal persons entitled to receive sponsorship must keep separate accounts, on the one hand, for sponsorship received in accordance with this Law (indicating the providers of sponsorship if it was not received anonymously as well as the value and use of sponsorship, i.e. indicating specific recipients where the funds or assets received as sponsorship have been transferred to another person) and, on the other, for sponsorship and/or charity provided by themselves (indicating the data concerning specific recipients of sponsorship and/or charity, items of sponsorship and/or charity, and their value) and must submit, subject to the terms and procedure established by the Government of the Republic of Lithuania or an institution authorised by it, their monthly or annual reports to the State Tax Inspectorate about the sponsorship they have received and its use, sponsorship and/or charity provided by themselves as well as their activities relating to the achievement of purposes beneficial to the public. Legal persons shall submit a monthly report where the amount of the sponsorship received since the beginning of a calendar year from a single provider of sponsorship or the sponsorship and/or charity provided by these legal persons to a single recipient of sponsorship and/or charity exceeds LTL 50 000. The Government of the Republic of Lithuania or an institution authorised by it shall also establish the procedure for accounting of the sponsorship received anonymously. Article 13 of Law on Charity and Sponsorship states that the State Tax Inspectorate shall exercise control over the provision, receipt and use of charity and sponsorship to the extent related to tax reliefs. Other state and municipal institutions and agencies shall exercise control over the provision, receipt and use of charity and sponsorship within the scope of their competence where prescribed by the laws and other legal acts. Where controlling authorities (state tax inspectorate and/or customs authority) establish violations in respect of the provision, receipt and use of charity and sponsorship, they shall cancel tax reliefs and impose statutory sanctions**.** Currently, the FCIS and the State Tax Inspectorate are preparing an agreement under which the State Tax Inspectorate by carrying out checks on the non-profit organizations will carry out specific risk criteria-based controls, seeking to establish if non-profit organization is attractive to terrorist financing, and whether such activities could be carried out. In criteria-match case information will immediately be provided to the FCIS.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft	

"other enforceable means" and other relevant initiatives)	

Recommendation SR IX (Cross border declaration & disclosure)	
Rating: Partially Compliant	
Recommendation of the MONEYVAL Report	*The implementation of SR.IX as a whole needs to be reconsidered in order to address a number of issues, in particular:* • *to extend the scope of the reporting duty to bearer negotiable instruments* • *to make the Customs and Border Guard more aware of, and involved in AML/CFT issues* • *to review, ideally in consultation with other EU countries, the EU exception to SR. IX* • *to review the time limit for reporting to FCIS movements above LTL 50,000* • *to extend the existing national cooperation mechanisms to AML/CFT.*
Measures reported as of 4 March 2008 to implement the recommendation of the report	As of June 15, 2007, travellers entering or leaving the EU customs territory and carrying cash of a value of EUR 10 000 or more are obliged to declare that sum at the border customs posts on the Cash declaration form. The said declaration form in Lithuanian, English or Russian as well as the procedure for its completion and customs clearance has been approved by Order No. 1B-891 of 29 December 2006 of the Director General of the Customs Department. This Order complies with the provisions of Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community. According to the provisions of the new AML/CFT Law customs offices shall undertake control of the sums of cash brought in to the European Community via the Republic of Lithuania from the third countries as they are regulated in the Law on the Customs of the Republic of Lithuania (hereinafter in this Article referred to as 'the third countries'), and taken out from the European Community via the Republic of Lithuania to the third countries, incompliance with Regulation (EC) No. 1889/2005 of the European Parliament and the Council of 26 October 2005 on controls of cash entering or leaving the Community (hereinafter referred to as Regulation (EC) No. 1889/2005). Customs offices must promptly, but not later than within 7 working days, notify the Financial Crimes Investigation Service if a person brings in to the European Community via the Republic of Lithuania from the third countries or takes out from the European Community via the Republic of Lithuania to the third countries a single sum of cash in excess of the amount indicated in part 1, Article 3 of Regulation (EC) No. 1998/2005. The Customs Department under the Ministry of Finance of the Republic of Lithuania is one of the institutions which, according to their competence, is responsible for the prevention of money laundering and terrorism financing. Also, according to the provisions of the Criminal Code sums of cash means payment instruments, having the monetary expression as well. Entering to Lithuania Republic without declaring sums of cash is a criminal offence (smuggling). In case of false declaration or a failure to declare criminal investigation to be started and currency seized.

	One of institutions which deals with cash smuggling is Customs Criminal Service (the CCS) The main task of the CCS is to disclose crimes and other violations of legal acts related to customs activities and to investigate them. The Service also carries out international and interdepartmental co-operation in investigating cash smuggling, organizes and performs the prevention of violations of legal acts. The collection and analysis of information on the development of smuggling tendencies, evaluation of economical, social and criminogenic reasons of the existence and development of smuggling, operational activities on disclosing smuggling, and performance of the pre-trial investigations of criminal activities could be mentioned among the most important functions of the CCS. It also collects and analyses information on cash smuggling, applies preventive and operational measures in combating the smuggling The CCS co-operates with the enforcement and other institutions of the Republic of Lithuania and EU countries in the areas of the prevention of violations of legal acts regulating customs activities and their investigation. It also co-ordinates and organizes the implementation of national and international enforcement projects within the Customs, develops, participates in the development of draft legal acts related to the prevention of violations, harmonizes them in the established order, provides proposals and comments.
Measures taken to implement the recommendations since the adoption of the first progress report	At the moment the FCIS is drafting the Law amending the AML/CFT Law with the new Article 18-1. Under that draft Law, Customs officers shall undertake control of the sums of cash brought into/from Lithuania from or into the EU countries. According to the Government meeting protocol No. 62 the Customs Department is preparing a draft resolution of Government of Lithuania "Regulations of cash money carrying control from the EU states to Lithuania, from Lithuania to the EU states and through Lithuania to other the EU states" and internal rules of checks of cash transportations. The Ministry of Justice is now in the process of drafting amendments to the Code of Administrative Infringements for purposes to impose sanctions for cash transportation violations. The representative of the Customs department under the Ministry of Finance participates in the activity of the joint steering group, established on 22 September 2009 by the order of the director of the FCIS which consists of the representatives of different competent state institutions and professional associations responsible for implementation of measures of prevention of money laundering and terrorist financing. The close cooperation issues have been discussed in above mentioned Working Group meetings. In collaboration with the State Border Guard Service under the agreement on the mutual exchange of information, joint cooperation on actions against cash smuggling has continued. During mentioned actions the FCIS and the State Border Guard Service restrained smuggled cash in amount of 168 000 EUR.
(other) changes since the first progress report (e.g. draft laws, draft regulations or draft	

"other enforceable means" and other relevant initiatives)	

4 Specific Questions

Specific Questions raised in the 1st Progress Report and answers given by Lithuania

Have procedures been established so that the Register of Legal Persons keeps record of movements in shareholding?
The Draft Law amending Article 12 and supplementing Article 41 of the Law on Companies (No. IX-1594) has been prepared and presented for the coordination among institutions concerned. More detailed information is presented commenting the implementation of R.33.
Has adequate protection in line with the requirements in criterion 14.1 been introduced?
These provisions of the new AML/CFT Law introduce adequate protection of the financial institutions and other subjects as well as their managers and employees. The AML/CFT Law provides that financial institutions and other subjects are not liable to client for breach of any contractual obligation or any damage caused of performing reporting obligations provided in the AML/CFT Law. The employees of financial institutions or other subjects who disclose in good faith the information to the FCIS shall not be liable of any kind of liability. The communication of the information specified in the Law to the FCIS shall not be qualified as disclosure of an industrial, commercial or bank secret.
Have arrangements for coordinating seizure and confiscation with other countries been adopted?
There have been no arrangements for coordinating seizure and confiscation with other countries adopted in 2007.
Does the legal framework for confiscation explicitly cover indirect proceeds such as income, profits or other benefits form the proceeds of crime?
There have been no changes in the statutory regulation for confiscation since the last evaluation. However, working group at Ministry of Justice prepared the Draft, mentioned earlier, which currently is under discussion. It is proposed to amend Article 72 so that confiscation would explicitly cover indirect proceeds of crime. Article 3. Amendment of the 2nd paragraph of the 72nd Article 1. In the 2nd paragraph of the 72nd Article the words "criminal offence" shall be written instead the word "crime", words "also in respect of any property of any description which was directly or indirectly acquired from criminal offence" shall be written instead of words "or which is acquired as the result of a criminal act", also the 3rd sub-paragraph shall be amended and this paragraph shall be written out so: "2. Confiscation of property is applicable only in respect of property used as an instrument or a means to commit the criminal offence and also in respect of any property of any description which was directly or indirectly acquired from criminal offence. The court shall confiscate: 1) money or other property that has material value, which was delivered to the defendant or his accomplice for the purpose of commission of a criminal offence; 2) money or other property that has material value, which was used in committing criminal offence; 3) any property of any description which was directly or indirectly acquired from criminal offence."

Additional Questions since the 1st Progress Report

Was the Draft Law implemented to amend Article 12 and supplement Article 41 of the Law on Companies (No.. IX-1594) in order to establish procedures so that the Register of Legal Persons keeps records of movements in shareholding? If this has not been implemented yet, can you give an indication as to when it will be?
The amendments were implemented. Please see the information provided for Recommendation 33.
Have arrangements for coordinating seizure and confiscation with other countries been introduced since the adoption of 1st Progress Report?
By Government Resolution No. 178 of 4 March 2009 On implementation of Council Decision 2007/845/JHA of 6 December 2007 concerning cooperation between asset recovery offices of the Member States in the field of tracing and identification of proceeds from, or other property related to, crime, the Lithuanian Criminal Police Bureau has been appointed as the national asset recovery office for communication and cooperation between the competent institutions of the Republic of Lithuania and foreign countries on the performance of the function of search and detection of property acquired in the criminal way. Taking into consideration the above provisions, by Order No. 5-V-402 of the General Commissioner of the Lithuanian Police the regulations of the Lithuanian Criminal Police Bureau have been supplemented, including the additional functions of communication and cooperation between the competent institutions of the Republic of Lithuania and foreign countries on the performance of the function of search of property acquired in the criminal way. From law enforcement institutions of different foreign states the Prosecutor General's Office constantly receives requests for legal assistance requesting to conduct search of criminal proceeds/assets in Lithuania as well as requests on imposing restrictions upon such criminal proceeds/assets. As a rule, such proceeds/assets are found and restrictions are imposed upon the title to such proceeds/assets. The law enforcement institutions of Lithuania also send requests for legal assistance to law enforcement institutions of foreign states, requesting to find and impose restrictions upon title to the criminal proceeds/assets, which belongs to suspects in criminal cases under investigation in Lithuania. Often such assets are established and a freeze is imposed on them.
Was the Draft Law implemented to amend Article 72 so that confiscation would explicitly cover indirect proceeds of crime? If this has not been implemented yet, can you give an indication as to when it will be?
On 7 of December 2007 the Prosecutor General's Office of the Republic of Lithuania in cooperation with the UK Ministry for Enterprise, Trade, and Investment and Public Sector Enterprises Limited (NI-CO) of Northern Ireland officially finished the Twinning Project LT2005/IB/JH/01 "Strengthening Prosecution of Fraud". Within the framework of this project the Strategy of Strengthening Prosecution of Fraud in Lithuania was prepared. After inter-institutions consideration, on 28 of September 2009, the Order on the Plan of Strengthening of Prosecution of Fraud in Lithuania and the Means of Implementation Whereof was signed. This order has been collectively signed by the Prosecutor General's Office, the Special Investigation Service, the Police Department, the FCIS, the Criminal Service of Lithuanian Customs and the State Border Guard Service. The plan provides a set

of means to combat fraud, including combat with economic crimes and money laundering.

Currently, the law enforcement institutions seek, that in all pre-trial investigations of crimes, through which income or other kind of assets were received, a thorough search is done, while looking for such assets; the investigators should also look for evidence whether the proceeds from crime (money or assets) have been legalized.

Following stated provisions, the effectors responsible for the said measures (the Special Investigation Service, the Prosecutor General's Office, the Ministry of Justice, the Ministry of the Interior) have formed a working group, which prepared a draft law on amending Article No. 72 of the Criminal Code of the Republic of Lithuania and supplementing whereof with Article 189-1.

Goal of the draft law:

The goal of the draft is to specify [amend] legal regulation, which establishes seizure of the property, which is a measure, tool or outcome of a criminal act, as well as other property of the perpetrator, and establishes that the disposition of assets of high value the acquisition whereof cannot be accounted for as the lawful acquisition through legal income, shall be deemed criminal act.

Tasks of the draft law:

1. To specify [amend] the provisions of Article 72 of the Criminal Code in such a manner, that a court could confiscate means, a tool or result of criminal activity, which are under the ownership of the perpetrator or other persons.

2. To amend the provisions of Article 72 of the Criminal Code in such a manner, so that the court could seize the property (except the property the exaction whereof cannot be exercised according to the Civil Process Code of the Republic of Lithuania) which belongs by right of ownership to the perpetrator who has been sentenced for a criminal act, through which the he or she gained or may have gained material benefit, and which has been acquired through the period of five years prior to committing the criminal act, at the time of committing the criminal act and after committing the said criminal act and the acquisition whereof [property] cannot be accounted for as lawful acquisition through legal income.

Currently draft of Article 72 of the Criminal Code submitted to the Parliament for further consideration.

What is the current status of staffing of the FIU compared with the time of the adoption of the 1st Progress Report?

There were no changes in this respect.

Have any steps been taken to strengthen the compliance of the gambling sector with the international AML/CFT framework since the adoption of the 1st Progress Report?

After the AML/CFT Law (see Annex I) and 4 Government Resolutions implementing the AML/CFT Law came into force, on 28 of February 2009 the State Gaming Supervisory Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing, for gaming companies. After that casinos began the process of adjustment of necessary legal documents under AML/CFT system requirements:

- Requirement by Government Resolution No. 677 (see Annex III): Conditional features of the criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious shall be established by financial institutions and other entities on coordination with the FCIS.
- Requirement by Government Resolution No. 562 (see Annex II): Financial institutions and other entities as well as the Lithuanian Bar, in coordination with the FCIS, shall establish the procedure of register filling and administration (including the requirements regarding organizational and technical measures intended to protect the register data from illegal destruction, alteration and use or any other type of unlawful handling).
- Requirement of the AMF/CFT Law (Article 19): internal control procedures.

The collaboration agreement between the State Gaming Control Commission and the State Tax Inspectorate was signed on the 31 July 2009. The institutions will seek to encourage voluntary tax payment, to reduce tax payment avoidance in the gaming and national lottery operation branch; they will share available information, also will realize established tasks according to the scope.

The mutual agreement on coordination on supervision actions between the State Gaming Control Commission and the FCIS was signed on the 16 June 2009. The institutions will inform each other on established facts about breaches of legal acts regulating money laundering and /or terrorist financing prevention or about signs of possible suspicious criminal acts; they will render mutual assistance according to the demand and the scope.

The State Gaming Control Commission has made an unofficial proposal to discuss the issue of possible collaboration in the European level in the branch anti money laundering and other specific questions related to gaming, during the GREF annual conference.

From the quality of the proceedings mentioned, gaming sector undoubtedly strengthened compliance with the international AML/CFT framework.

5 Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC) [5]

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	Lithuania fully implemented the Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the Third Directive) as well as the Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis (the Implementation directive) by the AML/CFT Law and resolutions of the Government. The AML/CFT Law entered into force on 24 January 2008. Immediately after the AML/CFT Law came into force, four Government resolutions were drafted by the FCIS and were adopted by Government, which are in details regulating implementation of the AML/CFT Law: • Government Resolution No. 562 (see Annex II) Government Resolution No. 562 regulates the keeping of the registers of the information (information keeping requirements) specified in Article 16 of AML/CFT Law, also registered data, the responsibilities of registrars and the inspection of register keeping. These rules are binding on all financial institutions and other entities enumerated in paragraphs 1 to 7 of Article 16 of the AML/CFT Law. • Government Resolution No. 680 (see Annex IV) Government Resolution No. 680 regulates the provision of the information regarding customers' monetary operations and transactions at the disposal of the FCIS to the law enforcement agencies and other state institutions of the Republic of Lithuania and regulates the exchange of information between the State Security Department and the FCIS in implementing terrorist financing prevention measures. • Government Resolution No. 677 (see Annex III) Government Resolution No. 677 approves the list of criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending suspicious monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS. • Government Resolution No. 942 (see Annex V) Government Resolution No. 942 approves:

1 [5] *For relevant legal texts from the EU standards see Appendix II*

	1. The list of criteria on the basis for considering a customer to pose a small threat of money laundering and/or terrorist financing and criteria based on which a threat of money laundering and/or terrorist financing is considered to be great; 2. The rules of customer and beneficial owner identification as well as detection of several interrelated monetary operations shall regulate collection and verification of personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the related documents or copies thereof, customer identification instruments, as well as detection of several interrelated operations. Government Resolution No. 942 also specifies what information must be communicated to the FCIS by Law enforcement agencies and other public authorities, having noticed indications of possible money laundering and/or terrorist financing, violations of the Law on Prevention of Money Laundering and/or Terrorist Financing (by Government Resolution No. 942 they must, as soon as possible but no later than within 3 working days from the moment when such data or information becomes known, notify the FCIS).

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive[6] (please also provide the legal text with your reply)	Paragraph 10 of Article 2 of the AML/CFT Law (see Annex I) defines beneficial owner as any natural person(s), the owner(s) of a client (legal person or foreign company) or control a client, and/or natural person, on whose behalf the transaction or action is being conducted. Beneficial owners are: 1) in the legal persons – legal person(s), who has(ve) or control(s) directly or indirectly the legal person, owning or controlling the sufficient percentage of the shares or voting rights of that legal person, including management of authorized shares, except the companies, the securities of which are admitted to trading at a regulated markets, in which the requirements are applied to disclose the information about the activity, corresponding the legislation of the European Union, or equal international standards (25 percent and one share is enough to reach this criteria); also legal person(s), who otherwise control(s) the management of legal person; 2) in the legal persons, which administer and distribute funds – legal person(s), owning 25 percent or more property of the legal person (if the beneficiaries are known); persons, for the representation of which interests such legal person has been established or whose interests it is representing at the moment, a group (if persons, receiving benefit from the legal person are still not known); natural person(s), who control(s) 25 percent and more of the property of legal person.

[6] Please see Article 3(6) of the 3rd Directive reproduced in Appendix II

Risk-Based Approach	
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	The AML/CFT Law (see Annex I) introduce the risk based approach. The AML/CFT Law provides for simplified and enhanced costumer due diligence cases. Bank of Lithuania Guidelines for credit institutions (see Annex VI) introduce risk-based approach in more detail. Simplified customer due diligence could be used in cases when are involved: 1) listed companies; 2) beneficial owners of pooled accounts held by notaries and other independent legal professionals; 3) domestic public authorities; 4) any other customer representing a low risk; low risk products or transactions: (i) life insurance policies; (ii) insurance policies for pension schemes; (iii) a pension, superannuation or similar scheme that provides retirement benefits to employees; (iv) electronic money (the device cannot be recharged, the maximum amount is no more than EUR 150; the device can be recharged, a limit of EUR 2 500 on the total amount per a calendar year); (v) any other product or transaction representing a low risk determined by the Government. Enhanced customer due diligence covers: 1) transactions or business relationships where the customer has not been physically present for identification purposes; 2) correspondent banking relationships with credit institutions from the third states; 3) transactions or business relationships with politically exposed persons; 4) there is great threat of money laundering or terrorist financing. Paragraphs from 5 to 8 of the Bank of Lithuania Guidelines for credit institutions provide general risk-based approach requirements for credit institutions. The Bank of Lithuania Guidelines for credit institutions introduces risk-based approach for credit institutions. It is implemented in Paragraphs 5 – 8 and 18 – 27 (see Annex VI). Government Resolution No. 942 (see Annex V) approves the rules of customer and beneficial owner identification as well as detection of several interrelated monetary operations shall regulate collection and verification of personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the related documents or copies thereof, customer identification instruments, as well as detection of several interrelated operations. Mentioned document includes rules for simplified and enhanced costumer due diligence: • Simplified customer identification may be applied in the cases specified in Article 10 of the Law; • Before the procedure of customer identification, a competent

	officer of a financial institution or another entity shall verify the existence of circumstances that allow simplified customer identification; • Having decided to apply simplified customer identification, the financial institution or another entity shall, at its own discretion, select the customer identification instruments specified in paragraph 5 of the Rules of Government Resolution No. 942; • A financial institution or another entity must not perform simplified customer identification if a separate decision of the European Commission has been passed on the issue. In such an event, the financial institution or another entity must apply the provisions of chapters II or V of the Rules. • Enhanced customer identification shall be applied in the cases specified in Article 11 of the Law; • Before the procedure of customer identification, a competent officer of a financial institution or another entity shall verify the existence of circumstances necessitating enhanced customer identification; • Having decided to apply enhanced customer identification, the financial institution or another entity shall, in the cases specified in paragraphs 2-4 of Article 11 of the Law, apply the enhanced customer identification instruments envisaged in the Law; Article 25 of Government Resolution No. 942 provides that financial institution or another entity shall immediately once again verify customer identity by means of enhanced customer identification in the following cases: when a customer knowingly provides wrongful information for the purposes of identifying the customer or beneficial owner; when a customer withholds information; when there exist the circumstances for the application of enhanced identification. The Rules on Identification of Clients of Public Trading in Securities (approved by Government Resolution No.. 1K-19 of 23 June 2005 of the Lithuanian Securities Commission) governs the procedure for the identification of clients of intermediaries of public trading in securities and the procedure for the submission of information about the clients to the Lithuanian Securities Commission. Under paragraph 5 and 6 of the Rule, the intermediaries shall classify their clients by assigning to them appropriate codes, as stipulated in Section II of the *Rules on the Submission of the Information on the Owners of Securities, Balance of Securities and Financial Flows*, approved by Government Resolution No.. 7 of 31 March 2005 of the Securities Commission. When opening the securities and (or) cash account the intermediaries shall assign to each client an identification code comprised of a two-letter code of the global register of countries and territories, sector or sub-sector code and the personal identification code as stipulated by the laws. Financial institutions shall in their activity be guided by the principle: KNOW YOUR CLIENT (including the identities of the clients, their intermediaries, the establishment of the basis for representation, collection of the data on the financial status of the clients, objectives of investment, experience, the presence of personal property, etc.). This principle empowers financial institution to take reasonable measures in order to

	understand the ownership and control structure of customer or to determine who are the natural persons that ultimately own or control the customer. Paragraph 7 of the Lithuanian Securities Commission's guidelines for financial broker, investment companies with variable capital, management companies and the depository: Employees of financial institutions shall establish the identity of their customer (natural or legal person) to whom investment and other services are provided, therefore financial institutions shall in their activity be guided by the principle KYC (including the identities of the clients, their intermediaries, the establishment of the basis for representation, collection of the data on the financial status of the clients, objectives of investment, experience, the presence of personal property, etc.). Paragraph 13.4 of the Lithuanian Securities Commission's guidelines for financial broker, investment companies with variable capital, management companies and the depository provides that financial institutions must conduct ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the credit institutions' knowledge of the customer, the business and risk profile including, where necessary the source of funds. Paragraph 70 of the Lithuanian Securities Commission approved guidelines, intended for prevention of money laundering and/or terrorist financing for financial broker, investment companies with variable capital, management companies and the depository states that financial institutions must establish appropriate internal control procedures relating to the appropriate clients and beneficiaries identification and verification, reporting and information presentation of the FCIS, also relating to information keeping, risk assessment, risk (depending on the customer, business relationship or transaction type and so on.) management, compliance management and communication to prevent money laundering, and (or) the financing of terrorism related to financial operations and transactions and reduce money laundering, and (or) terrorist financing.

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive[7] are provided for in your domestic legislation (please also provide the legal text with your reply).	Provisions of the AML/CFT Law (see Annex I) define PEPs and provide criteria for identification of PEPs in accordance with the provisions in the 3rd Directive and the Implementing Directive. Paragraph 16 of Article 2 of the AML/CFT Law defines politically exposed natural persons as citizens of foreign countries, who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons. Paragraph 17 of Article 2 of the AML/CFT Law defines important public positions (including European Community positions, and positions at the international or institutions of foreign countries):

[7] Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

	1) state leaders, government leaders, ministers, vice ministers, or deputy ministers; 2) members of parliaments; 3) members of supreme courts, constitutional courts or other highest judicial institutions, which decisions cannot be subject to appeal; 4) members of the management bodies of the auditors professional organizations or boards of central banks; 5) ambassadors, temporary chargé d'affaires and high ranking officers of the armed forces; 6) members of the management or supervision bodies of the state-run undertakings. Paragraph 2 of Article 2 of the AML/CFT Law lists immediate family members – a spouse, a person, with whom the partnership has been registered (hereinafter referred to as cohabitant), parents, brothers, sisters, grandparents, grandchildren, children and spouses of children, cohabitants of children). Paragraph 1 of Article 2 of the AML/CFT Law defines close associates as: 1) any natural person, who together with the person performing or performed the duties indicated in Part 16 of this Article, were the participants of the same legal person or are in any other business relationship; 2) any natural person, who is the sole owner of the legal person, established *de facto*, seeking any property or any other personal benefit, to the person performing or performed the duties indicated in Part 16 of this Article. Paragraph 5 of Article 11 of the AML/CFT Law provides that if a person terminates the execution of the duties stipulated in paragraph 17 of Article 2 of this Law, financial institutions and other entities upon the evaluation of the level of threat of money laundering and (or) terrorist financing, may not consider him to be a politically exposed person. Financial institutions and other entities must determine the internal procedures, on the basis of which it shall be detected, whether the customer and beneficial owner is a politically exposed person participating in politics.

"Tipping off"	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or FT investigations.	Paragraph 15 of Article 14 of AML/CFT Law (see Annex I) provides that financial institutions and other entities are not kept liable to the customer for the non-performance of the commitments or the damage, made while carrying out the duties and actions provided in Article 14. The staff of the financial institutions and other entities, which in good will report to the FCIS about the suspicious and unusual financial operations or transactions

	carried out by the customer, shall not be kept liable in any way. Article 20 of AML/CFT Law provides that the information specified in AML/CFT Law, submitted to the FCIS, may not be published or transferred to other state management, control or law enforcement institutions, other persons, except in the cases established by this and other laws. Persons who violate the procedure of information protection and use specified in this Law shall be held liable according to the procedure established by laws. The institutions specified in paragraphs 1 to 10 of Article 4 of AML/CFT Law, their employees, financial institutions and their employees, other entities and their employees shall be prohibited from notifying the customer or other persons, that the information about the monetary operations performed and the transactions concluded by the customer, or the investigation related thereto has been submitted to the FCIS.
With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	Above mentioned prohibition shall not cover the advocates and advocates' assistants, when they seek to dissuade a client from engaging in illegal activity. Also the mentioned prohibition (paragraph 3 of Article 20 of AML/CFT) Law shall not prohibit: 1) to exchange information between credit institutions, insurance undertakings and insurance broking undertakings, investment companies with variable capital, registered within the territory of the European Union member states, as well as registered in the territory of third states, which impose requirements equivalent to those laid in this Law, provided that they meet the conditions belonging to the same group composed of the parent company, its subsidiaries and undertakings where the parent company or its subsidiaries have a share of capital as well as undertakings, which draw up consolidated accounts and annual accounts; 2) to exchange information between the undertakings of auditors, accountants or tax advisors, notaries and persons entitled to perform notarial actions as well as advocates and advocates' assistants, registered in the territory of the EU member states and those registered in the territories of third states, in which equivalent requirements have been laid down, if the said entities have been performing their professional activities as one legal person or as several persons which share common ownership and management or compliance control; 3) to exchange information between financial institutions, auditors, accountants or tax advisors, notaries and persons entitled to perform notarial actions as well as advocates and advocates' assistants in the cases connected with the same customer and with the same transaction, covering two or more said entities, if they are registered in the EU member state territory or third state territory which has established requirements equivalent to this law and if they are from the same professional category and are subject to equivalent obligations as regards professional secrecy and personal data protection. In all mentioned cases the information exchanged shall be used exclusively

	for the purposes of the prevention of money laundering and/or terrorist financing. The exemptions concerning the disclosure of information shall be invalid if a separate decision of the European Commission is passed on it concerning the financial institutions and other entities to which this Law is applied and financial institutions and other entities from the European Union member states or related third state. Submission of the information specified in this Law to the FCIS shall not be viewed as disclosure of industrial, commercial or bank secret.

"Corporate liability"	
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.	The corporate liability is introduced in the Criminal Code. Corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person – part 2 of the Article 20 of the Criminal Code states that a legal entity shall be held liable for the criminal acts committed by a natural person solely where a criminal act was committed *for the benefit or in the interests of the legal entity* by a natural person acting independently or on behalf of the legal entity, provided that he, while occupying an executive position in the legal entity, was entitled to represent the legal entity, or to take decisions on behalf of the legal entity, or to control activities of the legal entity. Besides, according to part 4 of mentioned Article criminal liability of a legal entity shall not release from criminal liability a natural person who has committed, organised, instigated or assisted in commission of the criminal act.
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	Corporate liability can be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person - part 3 of the Article 9 of the Criminal Code provides that a legal entity may be held liable for criminal acts also where they have been committed by an employee or authorised representative of the legal entity as a result of insufficient supervision or control by the person indicated in part 2 of this Article.

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	The AML/CFT Law (see Annex I) provides new categories of DNFBPs: • bailiffs; • accounting undertakings or undertakings providing tax advice services; • trust (trustee) or company service providers. **STR:** One of AML/CFT requirements to DNFBPs is STR reporting obligation (Article 14 of the AML/CFT Law). Government Resolution No. 677 (see Annex III) approves the list of criteria

	on the basis whereof a monetary operation or transaction is to be regarded as suspicious or unusual, describes of the procedure of suspending an unusual monetary operation and transaction and reporting the information about suspicious or unusual monetary operations or transactions to the FCIS by financial institutions and DNFBPs as well. After the AML/CFT Law and all 4 Government Resolutions implementing the AML/CFT Law came into force, a number of guidance's were approved to all DNFBPs: • the FCIS Guidelines for: **1.** providers of postal services who provide services of domestic and international money transfers, **2.** persons engaged in economic-commercial activities related to trade in real estate other property the value of which is in excess of EUR 15 000 or an equivalent sum in foreign currency where payment is made in cash **3.** accounting undertakings or undertakings providing tax advice services • the State Gaming Supervisory Commission Guidelines; • the Lithuanian Assay Office Guidelines; • the Chamber of Bailiffs guidelines • the Chamber of Notaries guidelines; • the Lithuanian Bar Association guidelines; • the Chamber of Auditors guidelines; • the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania Guidelines. After that entities under the AML/CFT Law began the process of adjustment of necessary legal documents under AML/CFT system requirements. One of them provided by Government Resolution No. 677: conditional features of the criteria on the basis whereof a monetary operation or transaction is to be regarded as suspicious shall be established by financial institutions and other entities on coordination with the FCIS. Also requirement of establishing internal control procedures is provided in the AMF/CFT Law (Article 19). At the time of mentioned process it was organized a series of meetings with associations of DNFBPs, supervisory authorities and with the DNFBPs itself. Training for auditors was conducted on 2009. The main themes of the training program: legal AML/CFT basis; latest AML/CFT trends and typologies; new technologies involvement to ML schemes; ML indicators; FT indicators; international sanctions list; CDD process. Record keeping. STR reporting requirements; PEPs. Training program is foreseen for 2010 as well. First priority is training course for DNFBPs. The FCIS designated contact persons responsible for contacts with associations with DNFBPs itself. Taking into account the MONEYVAL experts recommendations in respect of lack of supervision actions coordination between the FCIS and

	supervisory authorities under the AML/CFT Law. Article 4 Paragraph 14 of the AML/CFT Law states that all supervisory institutions mentioned in Law shall keep mutual cooperation with the FCIS and exchange the information about the results of the conducted inspections of the entities' activity, related to the implementation of preventive measures against money laundering and terrorist financing. According to that a number of agreements on coordination of supervision actions were signed between the FCIS and all supervisory authorities under the AML/CFT Law: • on 16 of June 2009 with the State Gaming Supervisory Commission; • on 23 of July 2009 with the Chamber of Bailiffs; • on 14 of September 2009 with the Chamber of Auditors; • on 14 of September 2009 with the Lithuanian Assay Office; • on 26 of October 2009 with the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania; • on 10 of February 2010 with the Chamber of Notaries. From the quality of the proceedings mentioned, DNFBPs undoubtedly aware of their important role in the AML/CFT regime of Lithuania. **CDD:** The following legal acts provides for full customer due diligence procedures: • the AML/CFT Law (see Annex I); • Government Resolution No. 942 (see Annex V); • the State Gaming Supervisory Commission Guidelines; • the Lithuanian Assay Office Guidelines, • the Chamber of Bailiffs guidelines; • the Chamber of Notaries Guidelines; • the Lithuanian Bar Association Guidelines; • the Chamber of Auditors Guidelines: • the Culture Heritage Department under the Ministry of Culture of the Republic of Lithuania Guidelines. Mentioned CDD procedures covers: 1) identification of the customer as well as verification of customer's identity from independent sources; 2) identification and verification of beneficial ownership and control; 3) establishment of intended purpose and nature of the business relationship; 4) execution of ongoing due diligence and scrutiny of the relationship and transactions; 5) keeping of records up to date. The AML/CFT Law provides for simplified and enhanced customer due diligence cases (Articles 10 and 11). Simplified customer due diligence could be used in cases when are involved: listed companies; beneficial owners of pooled accounts held by notaries and other independent legal professionals; domestic public authorities; any other customer representing a low risk; low risk products or

	transactions: ((i) life insurance policies;(ii) insurance policies for pension schemes; (iii) a pension, superannuation or similar scheme that provides retirement benefits to employees; (iv) electronic money (the device cannot be recharged, the maximum amount is no more than EUR 150; the device can be recharged, a limit of EUR 2 500 on the total amount per a calendar year); (v) any other product or transaction representing a low risk determined by the Government. Enhanced customer due diligence covers: 1) transactions or business relationships where the customer has not been physically present for identification purposes; 2) correspondent banking relationships with credit institutions from the third states; 3) transactions or business relationships with politically exposed persons; 4) there is great threat of money laundering or terrorist financing. Government No. 942 (see Annex V) approves: 1. The list of criteria on the basis for considering a customer to pose a small threat of money laundering and/or terrorist financing and criteria based on which a threat of money laundering and/or terrorist financing is considered to be great; 2. The rules of customer and beneficial owner identification as well as detection of several interrelated monetary operations shall regulate collection and verification of personal information on customers and their representatives (authorized through power of attorney) by financial institutions and other entities on the basis of customer identification documents, keeping of the related documents or copies thereof, customer identification instruments, as well as detection of several interrelated operations. **Record keeping:** The AML/CFT (Article 16) Law provides that notaries or persons licensed to perform notarial actions, as well as bailiffs or persons licensed to perform bailiff's duties must keep the register of suspicious or unusual transactions of customers as well as transactions where the received or paid amount in cash exceeds EUR 15,000 or a respective amount in a foreign currency. Other DNFBPs entities (except for notaries or persons licensed to perform notarial actions, lawyers and assistant lawyers, bailiffs or persons licensed to perform bailiff's duties) must keep the register of one-off payments in cash when the amount of received or paid cash exceeds EUR 15,000 or a respective amount in a foreign currency, also the register of suspicious and unusual monetary operations and transactions. must keep the register of the customers with whom the transactions or business relationship have been terminated under the circumstances specified in Article 15 of the AML/CFT Law (in case when customer avoids or refuse to submit to the financial institution or another entity at its request and within the specified time limits information about the origin of the monetary resources or assets, other additional data) or under other circumstances related to the violation of the procedure of prevention of money laundering and/or terrorist financing. The AML/CFT Law provides that:

	1) the data of the registers shall be kept for 10 years from the day of termination of transactions or business relations with the customer. 2) the copies of documents confirming customer's identity must be kept for 10 years from the day of termination of the transactions or business relationship with the customer. 3) the documents confirming the monetary operation or transaction or other legally valid documents, related to performance of monetary operations or transactions must be kept for 10 years from the day of performance of the monetary operation or conclusion of the transaction. Government Resolution no 562 and all approved guidelines, intended for prevention of money laundering and/or terrorist financing establishes the rules for registers keeping.

6 Statistics

6.1 Money Laundering and Financing of terrorism cases

a) Statistics provided in the last progress report

2004 (for comparison purposes)												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized (investigation process)**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**
ML	10	13	4	5	0	0			3	310 880		
FT	1	0	0	0	0	0			0	0		

2005												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized (investigation process)**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**
ML	8	10	4	8	3	1 successful, 2 aqquited			4	653 835	1	Confiscated property : car as tool of crime, 10 980

												EUR in account
FT	1	0	0	0	0	0			0	0		

2006												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized (investigation process)**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**
ML	23	21	1	1	1	1 (aquitted)			8	**13 367 430**	0	0
FT	0	0	0	0	0	0			0	0	0	0

2007 (1 January – 1 October)												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized (investigation process)**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**	**cases**	**amount (in EUR)**
ML	7	10	2	5	2	5 (cases in Court of Appeal at the moment)			2	148 409	0	0
FT	1	0	0	0	0	0			0	0	0	0

b) Please complete, to the fullest extent possible, the following tables since the adoption of the progress report.

2007												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized (pre-trial investigation process)**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	7	10	2	5	2	5			2	148 409	0	0
FT	1	0	0	0	0	0			0	0	0	0

2008												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized (pre-trial investigation process)		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	11	8	2	2	1	1			3	2 289 036	1	*
FT	0	0	0	0	0	0			0	0	0	0

2009												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized (pre-trial investigation process)		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	14	30	2	2	1	1			5	4 907 821	1	*
FT	0	0	0	0	0	0			0	0	0	0

* In both confiscations in 2008 and 2009 there were confiscated: 2 yacht's / real estate / luxury car.

c) AML/CFT sanctions imposed by supervisory authorities

Please complete a table (as beneath) for administrative sanctions imposed for AML/CFT infringements in respect of each type of the supervised entity in the financial sector (eg, banks, insurance, securities etc).
If similar information is available in respect of supervised DNFBP, please provide an additional table (or tables), also with information as to the types of AML/CFT infringements for which sanctions were imposed.
Please adapt the tables, as necessary, also to indicate any criminal sanctions imposed on the initiative of supervisory authorities and for what types of infringement.

	2007 for comparison	2008 for comparison	2009
Number of AML/CFT violations identified by the supervisor	**5**	**4**	**22**
Type of measure/sanction*			
Written warnings	**2**	**3**	**4**
Fines			
Removal of manager/compliance officer			

Withdrawal of license			
Other**			
Total amount of fines			
Number of sanctions taken to the court (where applicable)			
Number of final court orders	**5**	**4**	**16**
Average time for finalising a court order			

*** Please amend the types of sanction as necessary to cover sanctions available within your jurisdiction**

**** Please specify**

6.2 STR/CTR

Explanatory note:
The statistics under this section should provide an overview of the work of the FIU.
The list of entities under the heading "*monitoring entities*" is not intended to be exhaustive. If your jurisdiction covers more types of monitoring entities than are listed (e.g. dealers in real estate, supervisory authorities etc.), please add further rows to these tables. If some listed entities are not covered as monitoring entities, please also indicate this in the table.
The information requested under the heading "*Judicial proceedings*" refers to those cases which were initiated due to information from the FIU. It is not supposed to cover judicial cases where the FIU only contributed to cases which have been generated by other bodies, e.g. the police.
"C*ases opened*" refers only to those cases where an FIU does more than simply register a report or undertakes only an IT-based analysis. As this classification is not common in all countries, please clarify how the term "cases open" is understood in your jurisdiction (if this system is not used in your jurisdiction, please adapt the table to your country specific system).

a. Statistics provided in the last progress report

2004 (for comparison purposes)											
Statistical Information on reports received by the FIU								**Judicial proceedings**			
Monitoring entities, e.g.	**transactions above threshold**	**suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**		**convictions**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**
Commercial banks	1 077 574	47									
Insurance companies											
Notaries	18 588										
Casino	932										
Broker companies											
Securities' registrars						90	0				
Lawyers											
Accountants/auditors											
Company service providers											
State and other institutions		11									
Total	**1 097 094**	**58**									

2005											
Statistical Information on reports received by the FIU								**Judicial proceedings**			
Monitoring entities, e.g.	**transactions above threshold**	**suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**		**convictions**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**
Commercial banks	1 342 894	64									
Insurance companies											
Notaries	34 385										
Currency exchange											
broker companies											
Securities, credit unions Leasing companies	47 235					74	0				
Lawyers											
Accountants/auditors											
Company service providers											
State institutions Other subjects under AML Law	3 925 49 094	5									
Total	**1 477 535**	**69**									

2006											
Statistical Information on reports received by the FIU								**Judicial proceedings**			
Monitoring entities, e.g.	**transactions above threshold**	**suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**		**convictions**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**
Commercial banks	2 752 390	112	1								
Insurance companies											
Notaries	38 173										
Currency exchange											
Broker companies											
Securities, credit unions Leasing companies	58 921					71	0				
Lawyers											
Accountants/auditors											
Company service providers											
Other subjects under AML Law State institutions	58 777 6 160	23 18									
Total	**2 914 421**	**153**	**1**								

b) Please complete, to the fullest extent possible, the following tables since the adoption of the 1st Progress Report

2007															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	3801016	97													
Insurance Companies															
Notaries	44565														
Currency Exchange															
Broker Companies															
Securities' Registrars, credit unions, leasing companies	102118					50	0	N/A	N/A	0	0	N/A	N/A	0	0
Lawyers															
Accountants/Auditors															
Company Service Providers (financial companies, casino)		36													
Other subjects under AML Law State institutions	113205 61262	15													
Total	**4122166**	**148**													

2008															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	2330253	126													
Insurance Companies															
Notaries	24742														
Currency Exchange															
Broker Companies															
Securities' Registrars, credit unions, leasing companies	51973					73	0	N/A	N/A	0	0	N/A	N/A	0	0
Lawyers															
Accountants/Auditors															
Company Service Providers (financial companies, casino)		54													
Other subjects under AML Law State institutions	26565 3780	11													
Total	**2437313**	**191**													

2009															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	732840	141													
Insurance Companies															
Notaries	9894	31													
Currency Exchange															
Broker Companies															
Securities' Registrars, credit unions, leasing companies	7540					63	0	N/A	N/A	0	0	N/A	N/A	0	0
Lawyers															
Accountants/Auditors															
Company Service Providers		24													
Other subjects under AML Law State institutions	2112 877	17													
Total	**753263**	**213**													

APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	**No. text required**
2. Legal System and Related Institutional Measures	
Criminalisation of Money Laundering (R.1, 2 & 32)	- to unify the two ML definitions; - money laundering should be criminalised more strictly and the legal incrimination should follow Article 3(1)(b)&(c) Vienna Convention and Article 6(1) Palermo Convention, so as to cover also conversion, transfer of property or concealment, disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, if such conduct is carried out outside of a financial operation, conclusion of an agreement, an economic or commercial activity, or by means of a fraudulent declaration; - to provide for the applicability of Art. 21 also to the various offences contained in art. 189; - to review the effectiveness and the dissuasive character of the criminal sanctions under art. 189; - to consider making an explicit provision, as necessary, specifying that the laundering offence applies to both direct and indirect proceeds;
Criminalisation of Terrorist Financing (SR.II, R.32)	- to introduce a separate offence of terrorist financing, independently from art. 250 which deals with terrorist activities involving criminal groups, in line with the requirements of SR.II and according to Art.2 of the 1999 UN Convention for the Suppression of the Financing of Terrorism, with a view in particular to: a) include the collection of funds; c) refer to individual terrorists; d) state that in order to be criminally liable it is not necessary that funds were actually used to carry out terrorist acts or be linked to a specific terrorist act
Confiscation, freezing and seizing of proceeds of crime (R.3, R.32)	- to cover explicitly indirect proceeds such as income, profits or other benefits from the proceeds of crime; - provisional measures for serious crimes such as ML should be regulated as not to be subject to a short time limit, as far as the conduct incriminated in art.189 of the Criminal Code is concerned; - the Police, which deals with other major assets-generating crimes should be encouraged to apply as much as possible for temporary measures with a view to confiscation of criminal assets and therefore, to look more systematically at the financial dimension/wealth of

	criminals / criminal groups. - Statistics on temporary measures and confiscation should be kept - Lithuania may also wish to reconsider the opportunity of softening the standard of evidence for the purpose of confiscation (sharing or reversing the burden of proof) post conviction;
Freezing of funds used for terrorist financing (SR.III, R.32)	- to make sure: • Lithuania can act in relation to European Union internals and on behalf of other jurisdictions[8] • all entities bound to apply international sanctions have been given adequate information about their duties and communication mechanisms exist with all financial intermediaries and DNFBP • a clear and publicly known procedure is in place for de-listing and unfreezing in appropriate cases in a timely manner. - to ensure adequate monitoring of compliance is taking place in practice.
The Financial Intelligence Unit and its functions (R.26, 30 & 32)	- to strengthen the autonomy and identity of the MLPD - within the FCIS – for it to become the Lithuanian FIU; it should be granted its own powers, an IT system protected by adequate regulations in order to ensure that STRs and CTRs are primarily used for AML/CFT purposes independently from the FCIS' own competencies, and in accordance with the Egmont principles; - the electronic reporting system, with adequate security/safety measures, needs to be completed for all the obliged entities, given the deadlines provided for in the LPML and to avoid unnecessary logistical constraints for the industry. - furthermore, the annual report that the Lithuanian authorities have now decided to produce at regular intervals should be the occasion to publish information on ML/FT which would clearly be specific to Lithuania.
Law enforcement, prosecution and other competent authorities (R.27, 28, 30 & 32)	- to ask the police to also take responsibility for investigations of ML and FT in their own field of competence, and to take awareness-raising measures on/and continue to provide training on methods to target the proceeds from crime; - to review and clarify in legislation, as needed, access by the SSD to information held by obliged entities; - to clarify/amend as appropriate the legal framework for

[8]In the week of the adoption of the report, the Lithuanian authorities advised that on 9 February 2006, the Government adopted Decree N°137 on measures implementing international sanctions aiming at EU internals (persons and entities). A list of EU internals (persons and entities) subject to financial sanctions is attached to the Decree. In relation to action on behalf of other jurisdictions, the Decree of the Government of Lithuania N° 1411 of 6 September 2006 provides for such action. According to para. 1.20 of the Decree, a financial transaction is to be considered suspicious if data of the client or its proxy corresponds, inter alia, with the data in the list submitted by responsible foreign state institutions.

	the use of special investigative techniques also in ML and FT cases, and to ensure that the provisions of the Law on Operational Activities and the Code of Criminal Procedure are consistent; - to review the effectiveness of efforts of the criminal police and prosecution services, together with their needs, in particular the services dealing with FT and predicate crimes which are important from the perspective of AML (e.g. department dealing with organised crime and terrorism, department dealing with counterfeited currencies and credit cards etc.).
Cross Border declaration or disclosure (SR.IX)	- The implementation of SR.IX as a whole needs to be reconsidered in order to address a number of issues, in particular: • to extend the scope of the reporting duty to bearer negotiable instruments • to make the Customs and Border Guard more aware of, and involved in AML/CFT issues • to review, ideally in consultation with other EU countries, the EU exception to SR. IX • to review the time limit for reporting to FCIS movements above LTL 50,000 • to extend the existing national cooperation mechanisms to AML/CFT
3. Preventive Measures – Financial Institutions	
Risk of money laundering or terrorist financing	
Customer due diligence, including enhanced or reduced measures (R.5 to 8)	- to include in the AML Law a specified reference to the full CDD measures as opposed to identification procedures which, in themselves, are part of the CDD process and provide for the independent verification of the identification information obtained; - to revise Article 3 of the Law on Payments with regards to customer details for cross-border payments; - to provide for a specific inclusion in the AML Law for identification requirements in the case of suspicion irrespective of the LTL50,000 (Euro 15,000) threshold; - to ensure that the Register of Legal Persons records information on shareholding changes in legal persons following registration; - as part of the CDD process, financial institutions should be required to draw up customer acceptance policies and business profiles with an obligation for on-going due diligence procedures; - to introduce a specific obligation for financial institutions to consider reporting where the ID procedures cannot be completely and satisfactorily fulfilled.

	- to provide for rules regarding PEPs under the AML Law with specific enhanced customer due diligence requirements. - provisions similar to those in Resolution 20 of the Bank of Lithuania should be extended to other financial sectors, covering threats from new or developing technologies.
Third parties and introduced business (R.9)	- the concept of the customer/agent relationship in the identification process should be re-addressed.
Financial institution secrecy or confidentiality (R.4)	- irrespective of the perceived effectiveness of the system, there is a need to readdress the issue to align the various legal provisions for the sake of consistency
Record keeping and wire transfer rules (R.10 & SR.VII)	- The provisions of SR VII on wire-transfers are not directly addressed but various pieces of legislation seem to be relevant to different aspects. The Lithuanian authorities acknowledge this and expect to fully comply with SR VII once the relevant EU-Regulation is adopted. This notwithstanding, it was recommended that the new regulations be made applicable to the Post Office as a provider of wire-transfer services. - the Lithuanian authorities may wish to consider an electronic, secure system of submitting data to the FCIS.
Monitoring of transactions and relationships (R.11 & 21)	- both Recommendations should be readdressed and covered through legal provisions or through the respective Resolutions in accordance with the established criteria. For the sake of uniformity and consistency, the Lithuanian authorities may also wish to consider addressing these Recommendations through Government Resolution applicable to both the financial and non-financial sectors.
Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	- In general the obligation to report suspicious transactions is adequately covered through the AML Law and Government Resolution 929. It is however not clear whether the obligation applies to attempted transactions or to cases where an institution has reasonable grounds to suspect that a transaction may be related to money laundering. For the financial sector the obligation is restricted to the carrying out of a "financial operation" as defined in the Act and would therefore exclude other transactions not necessarily involving a financial content (contrary to the requirements also of the 2nd EU Directive). The Lithuanian authorities may wish to reconsider the Law in this regard. - the FT reporting should be directly addressed through specific provisions in the AML Law that are not restricted to information on international lists. - to insert, in line with the requirements of criterion 14.1, a clearer protection of entities, their directors, officers and employees from any civil or criminal liability when they report and disclose information in good faith to the authorities. - Although the FCIS has informed that it provides

	feedback to the industry the Lithuanian Authorities may wish to consider strengthening Article 5 of the AML Law to this effect. - Article 13 of the AML Law is comprehensive in covering the currency transaction reporting by financial institutions and other entities. The Lithuanian Authorities may however wish to re-visit the exemption of lawyers and lawyers' assistants from such obligation, even though it has been claimed that lawyers' rarely handle cash transactions.
Internal controls, compliance, audit and foreign branches (R.15 & 22)	- certain elements need to be addressed further to enhance the existing framework. The powers of the compliance officer for timely access to information could be better reinforced if established through rules or regulations rather than through reliance on institutions themselves. - to review the implementation of Recommendation 22 so that the essential criteria 22.1 and 22.2 are specifically addressed, formulated and implemented.
Shell banks (R.18)	-
The supervisory and oversight system - competent authorities and SROs Role, functions, duties and powers (including sanctions) (R.23, 30, 29, 17, 32 & 25)	- procedures should be put in place whereby the FCIS, apart from retaining its right of undertaking its own focused examinations, takes control by: • planning and preparing in collaboration with the supervisory authorities annual inspection programmes; • still leaving the prerogative for the supervisory competent authorities, on their own initiative, to undertake focused examinations and/or to include an AML/CFT component in their prudential examinations; • ensuring that in all the above instances the FCIS is informed and involved in the ongoing examinations; and that it receives examination reports in all instances irrespective of the type of findings. (This may require an amendment to Article 8 of the AML Law). - procedures should be gradually established so that the Register of Legal Persons keeps record of movements in shareholding - to reconsider the provisions on sanctions for non compliance in the AML Law - As regards guidance to the industry, the procedures should be put in place to ensure consistency.
Money value transfer services (SR.VI)	The Lithuanian Authorities may wish to consider placing the authorisation and supervision of this financial service under the competence of the Bank of Lithuania for the sake of consistency and continuity.

4. Preventive Measures – Non-Financial Businesses and Professions	
Customer due diligence and record-keeping (R.12)	- to address CDD including identification issues, the provision of a legal basis to certain key elements of the ID process, and the timing and basis of the applicability of the ID process; PEPs are not addressed through legal provisions and hence no awareness within some sectors of the DNFBPs; more awareness on threats arising from technological developments and large complex transactions is needed.
Suspicious transaction reporting (R.16)	- DNFBPs should be made more aware of their important role in the AML/CFT regime of Lithuania thus ensuring that, in understanding their role better DNFBPs acknowledge and implement the AML obligations further. In this regard the Lithuanian Authorities may wish to revisit the AML Law accordingly. - to reconsider the exceptions in the AML Law for the legal profession. To a lesser extent, this may also be true of the gaming sector which believes that in implementing the AML measures it may be losing business.
Regulation, supervision and monitoring (R.24-25)	In addition to recommendations under Section 3: - to immediately review the legal contradictions concerning FCIS' supervisory powers vis a vis lawyers and lawyers' assistants and to put in place appropriate procedures as detailed under Section 3 to ensure appropriate ongoing monitoring and supervision. - to have procedures in place that ensure consistency and applicability.
Other designated non-financial businesses and professions (R.20)	-
5. Legal Persons and Arrangements & Non-Profit Organisations	
Legal Persons – Access to beneficial ownership and control information (R.33)	- As a minimum, current qualifying shareholders (10% and more) should be recorded in the Register of Legal Persons and such information should be made available to the relevant competent authorities. It should be a statutory obligation to keep the Register up to date in this way.
Legal Arrangements – Access to beneficial ownership and control information (R.34)	-
Non-profit organisations (SR.VIII)	- to re-consider the oversight procedures for non-profit organisations to ensure that mechanisms are in place to avoid the use of such organisations for the financing of terrorism.

6. National and International Co-operation	
National co-operation and coordination (R.31 & 32)	- there is a need to better share information on activities on the supervisory side taken by each institution and the Coordination Working Group needs to be invigorated, efficiently chaired, and FCIS "ownership" more firmly established. One way of achieving this would be to schedule regular meetings – say, 4 per year – and a forward agenda of key issues to discuss and take forward.
The Conventions and UN Special Resolutions (R.35 & SR.I)	(major deficiencies are addressed in earlier recommendations)
Mutual Legal Assistance (R.36-38, SR.V, and R.32)	- to improve the collection of statistics, with several breakdowns which would enable also the authorities to review the effectiveness of their international cooperation in the field of AML/CFT. - to adopt arrangements for coordinating seizure and confiscation actions with other countries. - Lithuania may wish to establish an assets forfeiture fund to which all or a portion of confiscated property will be deposited and will be used for law enforcement, health, education and other purposes.
Extradition (R.39, 37, SR.V & R.32)	- to improve the collection of statistics, with several breakdowns which would enable also the authorities to review the effectiveness of their ability to cooperation in the field of extradition in relation with AML/CFT.
Other Forms of Co-operation (R.40, SR.V & R.32)	- the issue of co-operation and exchange of information in the Law on the FCIS should be further clarified as in other laws by the inclusion of a specific reference to the exchange of information. This may also require an amendment to paragraph 5 of Article 5 of the AML Law. - to consider the extent to which financial supervisory authorities directly co-operate and exchange information in relation to both money laundering and the underlying predicate offences, as opposed to these functions being vested within the competences of the FCIS, and Lithuanian authorities should legislate accordingly. - the above should be similarly addressed for the State Gaming Control Commission.
7. Other Issues	
Other relevant AML/CFT measures or issues	Lithuanian authorities are advised to be more careful and more accurate when drafting pieces of legislation and regulations or other texts and to specify clearly to what other legal or other texts they refer.
General framework – structural issues	-

APPENDIX II

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;
(ii) the natural person(s) who otherwise exercises control over the management of a legal entity:

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;
(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;
(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2
Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:
(a) heads of State, heads of government, ministers and deputy or assistant ministers;
(b) members of parliaments;
(c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
(d) members of courts of auditors or of the boards of central banks;
(e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(f) members of the administrative, management or supervisory bodies of State-owned enterprises.
None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.
The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:
(a) the spouse;
(b) any partner considered by national law as equivalent to the spouse;
(c) the children and their spouses or partners;
(d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:
(a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
(b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.

APPENDIX III - Abbreviations

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AML/CFT Law	Law on Prevention of Money Laundering and Terrorist Financing of 17 January 2008
C	Compliant
CC	Criminal Code
CDD	Customer Due Diligence
CPC	Criminal Procedure Code
CTR	Currency (or cash) Transaction Report
DNFBP	Designated non Financial Businesses and Professions
EC	European Commission
EU	European Union
EUR	Euro
FATF	Financial Action Task Force on Money Laundering
FCIS	Financial Crimes Investigation Service
FIU	Financial Intelligence Unit
FT	Terrorist financing
IPS	Computer Information System of Prosecution Services
JHA	Justice and Home Affairs
LC	Largely Compliant
LPML	Law "On Prevention of Money Laundering" of 1997, as amended on 23 November 2003, No. IX-1842
LTL	Lithuanian Litas (official currency)
ML	Money Laundering
MLA	Mutual legal assistance
MLS	Minimum life standard
NA	Not Applicable
NC	Non Compliant
NPO	Non Profit Organisation(s)
OJ	Official Journal
PEP	Politically exposed person
PC	Partially Compliant
SR	Special Recommendation
STR	Suspicious transaction report
UK	United Kingdom