Inaugural Estonia Event
14 November 2019

Event Sponsored by:
Comply Advantage & EY
<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Details</th>
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<tbody>
<tr>
<td>14.00</td>
<td>Arrival of Guests and Registration</td>
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<tr>
<td>14.30</td>
<td>Welcome Remarks and Opening Statements</td>
<td><strong>Alexandre Pinot</strong>, ACAMS® Baltics Chapter co-chair and MLRO &amp; Head of Vilnius Office at SONECT, Lithuania <strong>Natasha McDonald</strong>, Account Manager – Regional Partnerships at ACAMS Sponsors address: Comply Advantage and EY</td>
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<tr>
<td>14.55</td>
<td>Panel 1 Discussion</td>
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<td>16.00</td>
<td>15 min Coffee Break</td>
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<td>16.15</td>
<td>Panel 2 Discussion</td>
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<td>17.30</td>
<td>Closing Remarks</td>
<td><strong>Uldis Upenieks</strong>, ACAMS® Baltics Chapter Co-Chair and Chief Compliance Officer at Citadele Banka, Latvia</td>
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<td>17.40 - 18.30</td>
<td>Networking &amp; Cocktails</td>
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ACAMS is the world’s largest, international membership organisation dedicated to enhancing the knowledge, skills and expertise of Anti Financial Crime professionals.

**ACAMS in numbers**

- **75,000** Members worldwide in 175 countries
- **7,000** Members in Europe
- **42,000** CAMS graduates worldwide
- **12** European Chapters with more launching in the next year
- **CAMS now in 11 languages**
ACAMS The Baltics Chapter

- ACAMS has 69 Chapters in 36 countries

- We are bringing together ACAMS members: Anti-Financial Crime & Compliance professionals 3-4 times per year – in Estonia, Lithuania, and Latvia. 537 ACAMS members in Baltics, 50 of which are ACAMS Baltics Chapter members. 60 ACAMS members in Estonia alone.

- All sectors welcome - banking, insurance, investment, FinTech, money service businesses, law enforcement, academia, government, advisors, and regulatory bodies

- Close ties to ACAMS Nordics Chapter
  - peer networking
  - furthering best practice

- Complements other professional bodies across the region

- Supported by ACAMS, led by you
KYC/CDD Boot Camp
8 November 2019 – Paris
3 December 2019 – Amsterdam
12 March 2020 – Zurich
TBC 2020 - Valletta

Anti-Financial Crime Symposia
28 November 2019 – Nordics
6 February 2020 – Cyprus
4 March 2020 – Baltics

Chapter launches
5 December 2019 - St. Julians, Malta
TBC 2020 – Euroasia Chapter

CAMS-Audit
2-4 December 2019 - Amsterdam

ACAMS 16th Annual European Conference
8 – 10 June 2020 – Frankfurt
We’ll see you in March

4 March 2020 - Baltics (Riga, Latvia)
Anti-Financial Crime Symposium

Register online:
acams.org/aml-training-seminars
Panel 1
Topic – ML & TF challenges and risks in the Baltics

Keynote Speech
John Wilkinson, EY Partner, Global Transaction Forensics Leader

Panel Moderator:
Janis Kaulins, ACAMS® Baltics Chapter Board Members and Associate Partner at EY, Latvia

The Panel:
Matis Maeker, Head of AML/CFT and PSP supervision department at Estonian FSA
Sandijs Vectevs, Deputy Head of the Latvian FIU
Janis Brazovskis, Board Member at Latvia Finance Association
John Wilkinson, EY Partner, Global Transaction Forensics Leader
ML & TF challenges and risks in the Baltics

John Wilkinson
EY Partner, Global Transaction Forensics Leader

Historical perspective:

- Lies, damned lies & statistics:
- Basel AML Index 2019 – Latvia, Lithuania & Estonia
- MONEYVAL 5th round – Latvia & Lithuania
ML & TF challenges and risks in the Baltics

John Wilkinson
EY Partner, Global Transaction Forensics Leader

Today:

• Spotlight of the Anti-Financial Crime world is on the Baltics
• Response will determine the future
• Any more hidden skeletons?
ML & TF challenges and risks in the Baltics

John Wilkinson
EY Partner, Global Transaction Forensics Leader

Future:

• Regulatory collaboration
• Bank to bank collaboration
• Increased regulatory oversight
• Emerging risks (e.g. ML as a service, human trafficking, cryptocurrencies, Fintech)
• When can we expect transnational legal frameworks?
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Janis Brazovskis, Board Member at Latvia Finance Association
John Wilkinson, EY Partner, Global Transaction Forensics Leader
Q & A
Coffee Break
15min

Sponsored by:
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Panel II

Topic – Possible solutions and risk mitigations measures

Keynote Speeches

Public-private partnership – new panacea while mitigating ML/TF risks? (Lithuanian perspective)
- Eglė Kontautaitė, Head of Anti-Money Laundering Division at the Bank of Lithuania

“How can national UBOs registers mitigate the ML & TF risk – the case of Latvia”
- Laima Letina, CAMS from Expert at the Latvian National Companies Register

Panel Moderator:
Priit Vuks, ACAMS® Baltics Chapter Board Member

The Panel:
Eglė Kontautaitė, Head of Anti-Money Laundering Division at the Bank of Lithuania
Jaanus Leemets, Head of Business Development at Creditinfo, Estonia
Sandijs Vectēvs, Deputy Head of the Latvian FIU
Public-Private Partnership – a new panacea while fighting ML/TF?

Egle Kontautaite
Bank of Lithuania, AML Division
2019, Talinn
What will be covered

Where we are?

What are we looking for?

Public-Private Partnership (PPP) Model in Lithuania

Possible way forward
Past 3 years in the Pan-Baltic region ...

Negative:
• A lot of fuss and chaos which makes difficult to coordinate actions.
• “Shame and blame” and “pointing fingers” culture on a rise.
• Risk transfer to other financial institutions or countries.
• Less transparency in the payment chain.
• Increased compliance costs.

Positive:
• Mobilized financial institutions as well as regulators, supervisors and law enforcement institutions.
• A “change of mindset” (increased risk awareness).
• **Increased cooperation** (public-public; public-private; private-private).
Perception in media and society

A criminal mastermind given the chance to rewrite anti-money laundering rules might just keep what we have, on the basis it keeps the authorities ineffectually busy

By Ronald F Pol, La Trobe University
Interview in www.riskscreen.com, dated 22-10-2019
Where do we fail?

80–90% of suspicious reporting is of no immediate value to active law enforcement investigations.

Fewer than 1% of criminal funds flowing through the international financial system every year are believed to be frozen and confiscated by law enforcement.

Q. Of all the industry AML/CTF defenses which do you think is the most defective?

A. Without a doubt SAR/STR regime

Tom Keatinge, Director of the Centre for Financial Crime and Security studies of the Royal United Services Institute

Source of statistics: BallardSpahrLLP, The Royal United Services Institute (“RUSI”)
Effective information sharing is one of the cornerstones of a well-functioning AML/CFT framework. Constructive and timely exchange of information is a key requirement of the FATF standards and cuts across a number of Recommendations and Immediate Outcomes.

FATF Guidance – Private Sector Information Sharing
Hypothesis 1: increased efficiency of information flow

Tasks:
* Enhance feedback to the private sector on suspicious transactions reports;
* Provide clarity on regulatory expectations;
* Provide sufficient information about the new emerging risks (ML as well as TF);
* Raise awareness on new ML/TF schemes as well as new crime schemes.
Hypothesis 2: voluntary partnership rather than enforced collaboration

Tasks:
* Create an environment of trust and ongoing dialogue;
* Build a secure information sharing network.

The private sector is an important partner in combatting ML/TF (holds valuable information which is of critical importance to law enforcement).

FIU is an important partner giving feedbank to the private sector.

Regulator is an important partner providing information on regulatory initiatives.

Supervisor is an important partner providing feedback on expectations for AML/CTF controls.

Etc.
Main objectives of PPP model in Lithuania

- **Strengthen** financial institution’s defenses to prevent illicit flows from entering financial system

- **To support** law enforcement and prosecutors with **actionable** intelligence of financial crime
Choosing role models and analyzing if they can be “transplanted”

- **UK**: Joint Money Laundering Intelligence Task Force (JMLIT);
- **Latvia**: Cooperation Coordination Group (CCG);
- Singapore: AML and CFT Industry Partnerships (ACIP);
- Australia: Fintel Alliance;
- US: FinCen exchange;
- Canada: Collaboration Initiatives;
- Ireland: Joint Intelligence Group (JIG);
- Germany: Anti Financial Crime Alliance (AFCA);
- Netherlands: Terrorist Financing Task Force;
- Hong Kong: Fraud and Money Laundering Intelligence Task Force (FMLIT);
- Europol: Financial Intelligence Public Private Partnership (EFIPPP).
Choosing the ways of action

<table>
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<tr>
<th>Partnership levels</th>
<th>Strategic</th>
<th>Procedural</th>
<th>Tactical</th>
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<tr>
<td></td>
<td>Setting medium to long term goals of PPP</td>
<td>Providing clarity on regulatory expectations (guidelines, white papers)</td>
<td>a) Sharing information on risks, crime trends and typologies</td>
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<td>Top management meetings (semi-annually)</td>
<td>Raising awareness on ML/TF risks and how to control them (trainings and workshops)</td>
<td>Involvement of public-private experts on regular and ad-hoc basis</td>
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<td></td>
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<td>Involvement of public-private AML experts on regular and ad-hoc basis</td>
<td>b) Information on transactions and customer information</td>
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<td>Initiated by FIU or law enforcement to limited private partners on ad-hoc basis</td>
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Organizational set-up

- Public entity with permanent staff and dedicated experts from public and private sector
- Financing: public as well as private
- Governance: management board from the public-private sector representatives
On-going discussions

- How PPP chooses priorities on strategical and operational level.
- How to measure success of PPP.
- Safeguards to protect information.
- Legal basis for information sharing on tactical level.
- Building of trust environment involving supervisors (risk of a “gotcha” approach).
Possible way forward

• Bringing in other regulated sectors and also academic and NGOs and other non-regulated sectors into partnership framework for understanding and disrupting crime.

• Cross-border information-sharing (including international partners).
PPP model a new panacea fighting ML/TF? (1)

• Possible risks:
  - public concerns about how the information will be used;
  - encouraging de-risking and financial exclusion;
  - potentially breaching STR confidentiality and increased risk of tipping-off;
  - breaching customer confidentiality, data protection and privacy, financial institution secrecy.

• Be realistic about the potential disruption of underlying crime:
  even if the volume of intelligence that is 'actionable' from the financial sector will be increased there is a question of the capability of national law enforcement to act on that intelligence through criminal justice of civil recovery routes.
It is still very early days for Lithuanian PPP model and best practice for cooperation are yet to emerge.

The greatest opportunity comes from getting everyone who matters into the same room to discuss issues
Thank you
How can national UBOs registers mitigate the ML & TF risk

Laima Letiņa
AML expert at Company Register, Company Law Lawyer at Ministry of Justice, CAMS

14th November 2019
Legal entities with a link to Latvia are used only for legal purposes

Fulfilment of requirements (since 01.12.2017.) to disclose information about the BO (companies, partnerships, co-operative societies, associations, foundations, religious organisations, political parties)

- Information about BO is disclosed in register: 27551; 17%
- Information about BO is not disclosed in register: 138156; 83%

Goals

✓ Understanding of risks and vulnerabilities
✓ Transparency
✓ Cooperation between sectors
✓ International dimension
Measures to ensure accuracy, adequacy and update

- Incorporated register
  - Since 01.12.2017. obligation to collect and submit (till 01.03.2018.)
  - Liquidation of those who failed to submit
  - No possibility to register new legal person or changes regarding board/legal owners without disclosure of UBO
- Responsible for submission – board members
  - Accuracy checks in other registers
  - Verification of documents in risk cases
    - Information publicly available
  - Criminal penalties for false submission
    - ICS of Enterprise Register

Risk based approach in the Enterprise Register

Since 01.07.2019 the ER has fully implemented ICS:

1. according to the identified ML/FT/FP risks more in-depth checks at the time of registration of the UBO information are performed:
   - risks of the country of residence of the UBO;
   - involvement in other legal person;
   - examination of publicly available information on the reputation of the UBO etc.

2. in case of potential risks, a report is disseminated to the FIU by the Enterprise Register.
Availability of information

**NOW**

- Publicly available (except minors)
- Website, interconnection system, paper form, re-users
- Cost:
  - Free of charge for state institutions, LEAs, FIU etc.
  - all others – for a fee

**NEXT STEPS**

- 01.01.2020.
  - Free of charge to anyone
  - Obligation for FIs/DNFBPs to use register
  - Reporting system about possibly false information
- 01.01.2021.
  - OpenData
Information status and usability

Registered information about UBO don’t have (and can’t have) status of *public credibility*.

Information must be used in accordance with *risk-based approach* - the less vulnerable are national legal persons the more opportunities there are to use information from the register.

Accurate, adequate and updated information can be achieved through *cooperation of all sectors*.
The secret of success is to own nothing, but control everything!

Nelson Rockefeller

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Topic – Possible solutions and risk mitigations measures

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THANK YOU!
You are invited to the Networking Reception

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