



FCMC has entered into an administrative agreement with Signet Bank AS and reduced previously applied penalties

23.02.2021

On the basis of the submission of Signet Bank AS contesting the decision of 14.07.2020 taken by the Board of the Financial and Capital Market Commission (FCMC) to apply a fine for violation of regulatory requirements for the prevention of money laundering and terrorism and proliferation financing, the FCMC repeatedly heard the arguments of Signet Bank AS, assessed the situation and progress in addressing the infringements. Taking into account conclusions of the assessment and the fact that Signet Bank AS is focused on cooperation and has already addressed most of shortcomings, on 23.03.2021 the FCMC entered into an administrative agreement with the bank reducing a fine to 583 963 euro (previously – 906 610 euro).

Ģirts Rūda, Member of the FCMC Board, emphasizes, "Notwithstanding the difference between the statuses of supervisor and market participants, our aim is constructive cooperation in all cases. In a situation where non-compliance with regulatory requirements is identified, it is crucial that the bank recognises shortcomings and draws up a plan to address them as soon as possible. This is the case, and it is therefore possible to enter into an administrative agreement which provides for a reduction in the amount of fine originally imposed."

In addition to the measures taken so far to strengthen the internal control system, the administrative agreement imposes on the bank a number of obligations: the bank should carry out an independent review of efficiency and compliance of internal control system with the AML regulatory requirements by involving a sworn auditor or sworn auditors firm, as well as the appropriateness of the bank's

information technology solution for the AML risk management. After carrying out these assessments, the bank must develop measures to ensure compliance with the recommendations resulting from the independent review within specified time limits and notify the FCMC of their implementation on a regular basis.

As reported, the FCMC carried out an on-site inspection of Signet Bank AS in the AML area, as well as an on-site targeted inspection to examine compliance with the AML regulatory requirements when starting business relations with individual customers and carrying out customer due diligence and transaction monitoring.

During the inspections, the FCMC identified breaches and deficiencies related to inappropriate Bank's internal control system, customer base risks and risk management. For example, the bank had failed to give sufficient weight to the unusually large, complex, inter-related transactions and failed to verify and document a reasoned judgement regarding legal and economic substance of such inter-related, complex business schemes, the bank had not taken sufficient measures to make certain that a beneficial owner indicated by the customer subject to due diligence indeed was the beneficial owner, the bank had not verified the origin of funds in its customers' accounts, obtaining documents that certify the origin of funds, and had failed to timely ensure high-quality customer due diligence and documentation of its findings.

At present, the supervisor and the bank have a common understanding of the infringements and their prevention, and the FCMC expects the bank to ensure that the regulatory requirements are met by substance in order to effectively manage the money laundering risks.

With entering into the administrative agreement, the FCMC's decision of 14.07.2020 is annulled.

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