



# Transactive Systems UAB faces fine and licence revocation

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**The Bank of Lithuania has determined that the electronic money institution Transactive Systems UAB seriously and systematically infringed anti-money laundering and counter terrorist financing (AML/CTF) requirements. Having assessed the infringements, the Bank of Lithuania imposed a fine of €280 thousand on the company and revoked its licence.**

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This means that the company can no longer provide financial services. The company must inform its clients about the settlement procedure within 5 working days at the latest. Clients who hold funds in the accounts opened with the company must apply directly to Transactive Systems UAB for their return. The funds must be returned to the account specified by a client opened with a credit or other electronic money or payment institution. [Read more here.](#)

The inspection conducted by the Bank of Lithuania revealed that Transactive Systems UAB did not properly comply with AML/CTF requirements and failed to ensure the effectiveness of internal control systems. The Bank of Lithuania has repeatedly stressed to financial market participants that breaches of AML/CTF requirements have never been, are not and will not be tolerated.

## The main infringements and deficiencies identified during the inspection:

**The institution failed to properly identify clients, their representatives and beneficiaries.** In establishing business relations with the vast majority of the audited clients, Transactive Systems UAB identified them without complying with the requirements of the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing. Furthermore, the institution failed to ensure the application of enhanced customer identification measures in cases where a higher risk of money laundering and terrorist financing of the client was identified (although it was obligatory).

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**In opening virtual accounts for its clients, Transactive Systems UAB has enabled the opening of anonymous accounts.** The inspection found that the institution did not have at its disposal information on the end users of these accounts. In addition, it has enabled the provision of financial services to entities which are not financial institutions and which are not licensed or otherwise specifically authorised by supervisory authorities to provide such services.

**During the period covered, the institution failed to ensure adequate monitoring of business relationships and transactions.** Transactive Systems UAB failed to ensure that the client's transactions corresponded to their operational profile, risk profile and source of funds, and the means of determining whether the client's funds and assets were not derived directly or indirectly from a criminal offence or by participating in such an act were of poor quality and insufficient. There were also cases when the institution failed to detect suspicious transactions of the client and did not report them to the Financial Crime Investigation Service in accordance with the established procedure. The institution's instantaneous and retrospective monitoring of transactions was ineffective, the selected monitoring model did not match the number of transactions processed, and suspicious transactions were not reviewed and analysed properly. **Transactive Systems UAB did not have any control measures to detect cases of terrorist financing.**

**The institution failed to ensure proper implementation of international financial sanctions and restrictive measures, and its monitoring and verification systems were ineffective.**

In addition, Transactive Systems UAB failed to ensure the independence of the internal control function, which is responsible for the organisation of the prevention of money laundering and terrorist financing, to avoid any conflicts of interest. In addition, it was found that the company provided incorrect, incomplete and inaccurate information to the Bank of Lithuania, which complicated the inspection process.

The Bank of Lithuania received numerous complaints and enquiries from natural and legal persons as well as financial market supervisory authorities of various EU Member States regarding potential cases of fraud related to the company's clients or accounts opened with it. Although the Bank of Lithuania has repeatedly drawn the institution's attention to the importance of managing money laundering and terrorist financing risks and fraud prevention, the inspection revealed serious and systematic violations of the legal acts regulating AML/CTF.

In January 2023, the Bank of Lithuania had already [restricted the activities of Transactive Systems UAB](#) due to significant violations of the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing as well as deficiencies. In 2022, the company was second among electronic money and payment institutions in the Lithuanian market in terms of annual turnover (€13.1 billion). According to audited data, its operating income amounted to nearly €4 million.

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