

Regulation No. 5 of the Financial and Capital Market Commission

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Regulatory Enactments for Customer Research, Customer Due Diligence and Establishment of Risk Numerical Assessment System and Information Technology Requirements

Issued in accordance with [Section 7, Paragraph two](#), [Section 211, Paragraph two](#), [Section 22, Paragraph four](#), [Section 26, Paragraph seven](#) and [Section 47, Paragraph two, Clause 5, 8 and 9](#) of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing

and [Section 13, Paragraph four, Clause 3, 4 and 5](#) of the [Law On International Sanctions and National Sanctions of the Republic of Latvia](#)

1. General provisions

1. "Regulations on the Establishment of Customer Due Diligence, Enhanced Customer Due Diligence and Risk Scoring System and Information Technology Requirements" (hereinafter – the Regulations) are binding to credit institutions, payment institutions and electronic money institutions, private pension funds, investment companies, investment management companies, alternative investment fund managers, insurance companies, insofar as they provide life insurance or other insurance services related to the accumulation of funds, insurance intermediaries, insofar as they provide life insurance or other insurance services related to the accumulation of funds, reinsurance companies and to the branches of all of these subjects of other Member States and third countries in the Republic of Latvia, as well as credit unions (hereinafter all together – the institution).

2. The requirements of the Regulations on the performance of customer due diligence and enhanced customer due diligence are applicable to insurance intermediaries, insofar as they provide life insurance or other insurance services related to the accumulation of funds, if it emanates from the content and nature of the requirements that in particular circumstances it is reasonably necessary to apply them to insurance intermediaries.

3. The Regulations prescribe the minimum requirements for customer due diligence, including enhanced customer due diligence and transaction supervision, as well as for the establishment of the customer's risk scoring system and information technology solutions. The institution shall prescribe detailed requirements in its policies and procedures based on the evaluation of the institution's risk (hereinafter also - the risk) of money laundering and terrorism and proliferation financing (hereinafter also – the MLTPF), including the risk exposure of the institution which it considers to be possible to take (risk appetite). The institution is obliged to justify and document that the customer due diligence measures taken by it are in accordance with the inherent risks of cooperation with the customers.

4. The Regulations prescribe the following:

- 4.1. requirements for customer due diligence, including enhanced due diligence;
- 4.2. requirements for establishing and using the customer risk scoring system;

4.3. cases when the institution shall conduct enhanced customer due diligence, upon the start of a business relationship, as well as during the business relationship or when executing a casual transaction, and the procedures for enhanced due diligence and the minimum scope;

4.4. enhanced monitoring requirements for customer transactions;

4.5 information technology requirements.

5. Terms used in the Regulations:

5.1. risk factor - a factor that increases or decreases the MLTPF risk inherent to certain business relationships that exist between an institution and a customer or an individual transaction;

5.2. customer risk profile - the total MLTPF risk inherent to the customer, which consists of a set of MLTPF risk-increasing factors and risk-reducing factors inherent to the customer;

5.3. risk-based approach - an approach when the institution identifies, evaluates, documents and ensures a clear understanding of the MLTPF risk to which the institution is exposed and takes measures to prevent the MLTPF risk in accordance with the existing risks;

5.4. customer risk scoring system - a system that, upon using a risk-based approach, reflects the MLTPF risk related to the business relationship in numerical terms (*scoring* system);

5.5. customer risk scoring – numerical assessment of the overall MLTPF risk level inherent to an individual customer and the services used by them, obtained based on the evaluation of the set of risk factors (customer, geography, delivery channels for services and products) inherent to cooperation with the customer;

5.6. a group related to the customer – other customers of the institution, established when performing customer enhanced due diligence where the interrelation whereof may possibly be justified by one or several of the following criteria (indicators), taking into consideration the actual circumstances and observing that which is prescribed in the internal regulatory enactments of the institution in accordance with the recommendations by the Financial and Capital Market Commission, as well as observing the purpose of the identification and due diligence of the group related to the customer:

5.6.1. one structure of the beneficial owner or participants;

5.6.2. the mutually performed transactions form a significant amount of the customer's monthly credit or debit transactions;

5.6.3. beneficial owners have a first degree family relationship (if the relationship is identified during due diligence);

5.6.4. one authorised person;

5.6.5. the representative of one customer and another customer's beneficial owner is one and the same person;

5.6.6. the customer uses a loan, the collateral whereof is another customer's financial instruments;

5.6.7. the customer uses a loan, the collateral whereof is another customer's trust;

5.6.8. two customers – legal persons which are not related have at least one common card user;

5.6.9. customers have one means of identification for the use of the remote services of the institution;

5.6.10. the borrower and the guarantor, if the credit granted is related to the professional activity of the borrower;

5.6.11. during customer due diligence it has been identified that one customer makes transactions on behalf of a third person, if it is not related to the professional activity of the customer;

5.6.12. unrelated customers have one business partner with whom the mutual transactions form a significant amount of the customer's monthly turnover;

5.6.13. automatic redirection from one customer's website takes place to another customer's website;

5.6.14. customers' contact details are identical;

5.6.15. there are other circumstances that justify customers' mutual relations;

5.7 Guidelines - the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority Joint Guidelines No. JC 2017 37 04/01/2018 "Joint Guidelines under Articles 17 and 18(4) of Directive (EU) [2015/849](#) on simplified and enhanced customer due diligence and the factors that credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions";

5.8. sanctions - international and national sanctions of the Republic of Latvia, as well as sanctions imposed by a Member State of the European Union or the North Atlantic Treaty Organisation;

5.9. special lists – internal lists of the existing and potential customers, their true beneficiaries and authorised representatives maintained by the credit institution for which negative information is available concerning their involvement in the MLTPF, breach or avoidance of sanctions, including the persons with whom a business relationship has not been established or has been terminated under the procedure established by the [Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing](#) (hereinafter - the Law on PMLTPF).

2. Establishment of the customer's risk scoring system

6. The institution, when performing the evaluation of the risk inherent to the customer, as well as when elaborating the customer risk scoring system and determining the relevant research measures, takes the following into account:

6.1. risk increasing factors, as well as risk decreasing factors prescribed in the Law on PMLTPF and in other regulatory enactments, if the determination of risk decreasing factors by the institution is considered adequate and it has appropriately documented them;

6.2. risks identified in the country risk assessment of the Republic of Latvia;

6.3. risks identified in the risk assessment of the European Union conducted by the European Commission;

6.4. Risk factors identified in the Guidelines;

6.5. risks arising from reports, decisions or elaborated typologies by law enforcement authorities or supervision and control institutions;

6.6 other risks characteristic to the institution and its customers, services and service delivery channels.

7. The institution, using a risk-based assessment approach, ensures the elaboration and operation of an efficient internal control system allowing one to timely identify an increased risk and to perform risk prevention, mitigation and management measures.

8. An institution shall not establish a business relationship with a customer or enter into an incidental transaction unless it is satisfied that it is able to effectively manage the risk that the customer could use the

institution for MLTPF purposes. If such relationship has already been established, the institution terminates it according to Clause [29](#) of these Regulations.

9. The institution shall ensure that it is able to select customers who are subject to enhanced due diligence.

10. The institution shall elaborate a methodology for the customer risk scoring system in accordance with the principles and risk factors determined in [Clause 6](#) of these Regulations, set out in these Regulations and the Guidelines, ensuring that the customer's risk scoring system appropriately and effectively reflects the overall risk inherent to each customer in numbers. For occasional transactions, an institution may identify risk factors without performing a customer's risk scoring assessment.

11. The institution shall assign a certain number of points to each risk factor included in the customer risk scoring system. The number of points assigned to the risk factor reflects the share of the risk factor in the customer risk scoring system. The score of risk factors inherent to the customer forms the customer's risk score. The institution may evaluate and take risk decreasing factors determined in Guidelines into consideration, if the customer has any, and reduce the number of points according to their importance (impact).

12. The institution shall carry out repeated customer risk scoring, if, when performing customer due diligence, the circumstances determining the risk related to the customer's business relationship change.

13. The credit institution, licensed payment institution and licensed electronic money institution shall ensure automated risk assessment calculation for the determination of the customer's risk level. Automated risk scoring may not be used in exceptional cases when it complies with the institution's risk and written consent has been received from the Financial and Capital Market Commission. In such cases the institution is obliged to prove that it will objectively ensure the evaluation of the risk inherent to the customer and will determine the extent of customer due diligence measures.

14. In order to ensure an up-to-date and effective customer risk scoring system, the institution shall update the numerical value assigned to risk factors in accordance with the risk inherent to its activities, including within the assessment of the internal control system, documenting it accordingly.

15. The institution, based on the customer's risk scoring results, as well as observing the minimum requirements of these Regulations, determines the period (frequency) and the level of detail (depth) of the customer due diligence and information update.

3. Requirements and procedures for conducting customer due diligence and enhanced customer due diligence

3.1. General provisions

16. In the policies and procedures the institution shall at least provide for:

16.1. the procedures, period and scope of customer due diligence, including enhanced customer due diligence, and transaction monitoring requirements, as well as the procedures and period for which the institution performs the quality assessment of the customer due diligence and transaction monitoring process;

16.2. the necessity, compliance, extent and application procedures for the application of risk decreasing measures;

16.3. the requirements and procedures for the enhanced supervision of customer transactions, including the determination of the threshold level for the customer risk scoring and the circumstances when the institution applies enhanced supervision of the customer's transactions, and the threshold level for the customer risk scoring and the conditions under which the customer's transactions shall be subject to enhanced supervision throughout the cooperation;

16.4. information and document assessment principles depending on the MLTPF risk inherent to the customer.

17. The institution shall obtain information to such an extent that it can identify the risk factors inherent to the customer and ensure their management.

18. The institution, according to the risk, shall determine justified product limits when commencing a business relationship or performing casual transactions with the customer.

19. To ensure unity, completeness and continuity of the enhanced customer due diligence process, the institution shall perform due diligence on all products and services used by the customer, including an overall assessment of the amount of transactions and balance of the customer. To ensure unity of the enhanced customer due diligence process, the institution may carry out all transactions with the customer's funds through the customer's current account.

3.2. Enhanced customer due diligence requirements and procedures

20. The institution shall apply due diligence measures to the customer, as well as to the customers that form the group of related customers with the particular customer in at least the following cases:

20.1. in other events provided in laws and regulations on the prevention of MLTPF;

20.2. according to the threshold level (number of points) provided for in the customer's risk scoring system or in the cases defined in the policies and procedures of the institution, including a combination of risk increasing factors. The threshold level for the application of enhanced due diligence measures before the commencement of a business relationship and during the business relationship may differ.

21. The institution shall determine the threshold (score) or other circumstances when it applies the customer due diligence measures to an extent commensurate with the risk, taking into account the customer's risk assessment (reaching the threshold in the institution's scoring system) or individual risk factors, after which regular repeated enhanced due diligence shall be performed, including transactions during the relevant period (regular enhanced due diligence). The institution shall ensure that it is able to identify the increased MLTPF risk inherent to the customer in a timely manner and to apply risk mitigation measures appropriate to the risk to the customer. The institution shall document an assessment that justifies the proportionality of the specified study period according to the existing risks.

22. The institution shall conduct customer research in accordance with the risk inherent to the customer, including taking into account the risk factors referred to in the sources specified in [Paragraph 6](#) of these Regulations. Upon the occurrence or identification of a risk factor inherent to a customer's transaction, the institution shall carry out enhanced due diligence activities to the extent necessary to assess the causes and effects of the occurrence of the relevant risk factor (transaction enhanced due diligence). The necessary measures of enhanced customer due diligence are determined by the institution, also taking into account the reason for commencing the due diligence, the customer's risk profile, the time when the previous due diligence was carried out, and the total duration of cooperation with the customer. The institution shall carry out the measures of enhanced customer due diligence for the time period which is required to evaluate the impact of the respective risk factor. With regard to transactions in financial instruments, enhanced due diligence measures shall be performed by the institution in order to assess the potential risk, including in cases where the institution identifies a red flag that may indicate market abuse in accordance with Regulation No. [596/2014](#) of the European Parliament and of the Council of 16 April 2014 on Market Abuse (Market Abuse Regulation) and repealing Directive [2003/6/EC](#) of the European Parliament and of the Council and European Commission Directives [2003/124/EC](#), [2003/125/EC](#) and [2004/72/EC](#).

23. The amount of information resulting from enhanced customer due diligence is appropriate to the risks inherent to cooperation with the customer. For different customers the amount of information obtained as a result of enhanced due diligence may differ, but the obtained information should be sufficient to evaluate the impact of the particular risk factor in essence and to ensure its management.

24. The institution shall carry out the enhanced due diligence within 35 working days from the day when the preconditions for the performance of the enhanced due diligence measures have been established. Where appropriate, taking into account the reasons and circumstances for the need for enhanced due diligence, the institution shall decide to apply enhanced supervision during this period (for example, setting limits on the amount of transactions).

25. The institution may decide on the extension of the term for carrying out enhanced due diligence, documenting and justifying it, if additional time is required for carrying out comprehensive enhanced due diligence due to objective reasons.

26. The extension period for regular enhanced due diligence shall not exceed 25 working days, unless the institution has ascertained in terms on the compliance with the requirements of customer due diligence, but due to objective reasons additional time is required to complete it.

27. The institution shall determine the extension of the term for customers for which the institution conducts enhanced transaction due diligence, evaluating the importance and impact of the risk factor on the MLTPF risk inherent to the customer.

28. When determining the extension of the due diligence term, the institution shall decide on, based on the risk, the necessity to apply proportional risk decreasing measures (including enhanced supervision) for the customer's transactions until a decision on the conclusion of the enhanced due diligence is taken.

29. In addition to the provisions of [Paragraph 8](#) of these Regulations, the institution shall terminate the business relationship with the customer if it is not possible to ensure the fulfilment of the requirements of the enhanced customer due diligence within the time period of enhanced due diligence, including the extension, if applied. If, taking into account the nature of the financial service provided by the institution, termination is not possible, the institution shall decide on the partial termination of the business relationship and apply risk mitigation measures.

3.3. Enhanced customer due diligence measures

30. The institution shall apply enhanced due diligence measures to the customer prior to the establishment of the business relationship and during the business relationship immediately upon the occurrence of the obligation of the customer to conduct enhanced due diligence. When conducting enhanced customer due diligence activities, an institution shall take into account the results and circumstances of the previous due diligence, review the information available at the disposal of the institution about the customer, and update it if changes in the customer's risk profile are identified. As regards casual transactions, the institution applies the measures prescribed in this section for the casual transaction to an appropriate extent, justifying and documenting the choice of the measures.

31. In conducting enhanced customer due diligence prior to the establishment of a business relationship, an institution shall at least take the following measures in accordance with the MLTPF risk inherent to the customer:

31.1. obtain additional information or documents about the business or personal activity of the customer and the beneficial owner of the customer, origin of their funds and prosperity, the existing or planned cooperation with the institution, information on the customer's key business partners, the nature of the business relations, the size of the planned transaction and location of business operations or the residence of the customer (the actual address of the customer);

31.2. establish additional information regarding the beneficial owner of the customer, obtain and document substantiating information regarding the beneficial owner of the customer and its relation to the customer;

31.3. assess whether adverse media information on the customer is available in public sources. The institution shall assess the impact of the information on the vulnerability of the customer and the institution to the MLTPF risk and, where an increased risk is identified, shall obtain documented approval from the institution's board, if such is appointed, member or the representative of the senior management for the establishment of a business relationship with such a customer and, in compliance with the approach based on risk assessment, the necessary risk mitigation measures;

31.4. if the customer wishes to establish a business relationship with the institution based in a country which is not related to the personal or business activities of the person, the reasons for this shall be clarified. The institution shall provide a documented assessment of the validity of the reasoning provided by the customer;

31.5. ascertain that the customer has a licence or special permission, if the customer's declared economic or personal activity provides for the obtaining of such a licence and it is connected with a high risk industry that impacts the customer's risk assessment. If the customer provides financial services, the institution shall ascertain that the customer is registered or licensed in the relevant competent institution;

31.6. require the customer issuing or which is entitled to issue bearer shares (capital securities) for the duration of cooperation to transfer the issued bearer shares for safe storage, or to obtain a certificate from another institution at least once a year about the storage therein of the bearer shares issued by the customer, as well as receive written confirmation from the customer that the institution will receive written information from the customer in the event of an additional issue of the customer's shares.

32. In conducting enhanced customer due diligence during the business relationship, an institution shall at least take one or several of the following measures in accordance with the MLTPF risk inherent to the customer:

32.1. examine if the customer's transactions carried out, services and products used are in compliance with the customer's declared business activity;

32.2. obtain additional information in order to verify that the beneficial owner indicated by the customer or ascertained by the institution is the actual beneficial owner of the customer;

32.3. verify the origin of the funds of the customer;

32.4 analyse the economic or personal activity of the customer. The institution shall obtain and document evidence about the customer's relation to a company carrying out actual economic activities and its relation with the beneficial owner of the customer.

33. If the institution finds that it does not hold sufficient information from the state registers and other sources to ensure the issues referred to in Clauses [32.1](#)–[32.4](#) of these Regulations, it requires explanations or the necessary information or documents from the customer, as well as performs repeated analysis of the information and documents.

34. When examining the compliance of the customer's transactions carried out, services and products with the customer's declared business activity, the institution shall verify the following:

34.1. if the customer's transactions carried out, services and products used are economically justified, and if the transactions do not substantially exceed the declared amount, including the obtaining of supporting information of transactions;

34.2. the customer's transactions, services and products used are in compliance with the customer's declared business or personal activity;

34.3. whether the customer's transactions with the declared and other business partners are in contradiction with the customer's business activity;

34.4. it has information substantiating transactions with the key business partners of the customer at its disposal, assessing its reliability and documenting the result of the assessment.

35. In accordance with the MLTPF risk inherent to the customer and if doubts exist that the beneficial owner indicated by the customer or ascertained by the institution is the actual beneficial owner of the customer, the institution, by using a risk-based assessment approach, shall carry out one or several of the following:

35.1. obtain additional information on the financial situation of the beneficial owner;

35.2. find out about the business or personal activities or previous professional experience, education, etc. of the beneficial owner, in order to assess whether it has a clear relation to the economic activity and financial transactions of the relevant customer;

35.3. ascertain whether the business or personal activity of the beneficial owner or other legal persons to whom it is the beneficial owner, complies with the economic activity carried out by the customer of the institution or is related to it;

35.4. obtain other information indicating that the person indicated as the beneficial owner controls the customer and gets benefit from their activity, including that the institution obtains and documents information describing the financial benefits, if the beneficial owner has gained such from the customer's activity, as well as the legal basis of the control and the gained benefit;

35.5. obtain a statement signed by the beneficial owner of the customer that it is the beneficial owner of the customer;

35.6. ascertain that there is no change in the circumstances under which the beneficial owner of the customer, who is a legal person or legal arrangement, has been identified by the institution as a person having a position in the senior management body of the customer.

36. While analysing the customer's business or personal activity and identifying the origin of the customer's funds the institution shall:

36.1. update information on the origin of the funds used in the transactions, if it is not directly related to the economic activity of the customer, and information characterising the business or personal activity of the customer;

36.2. obtain information or, by using a risk-based assessment approach, documents supporting the customer's declared business or personal activity or the origin of funds, including the customer's explanations and documentation of the transactions or facts that have been the basis for the performance of the enhanced due diligence;

36.3. verify the compliance of the transactions with the information available on the customer's financial situation (financial statements) and business activity. If the customer's financial statements are not available to the institution, it shall ascertain and document the reasons that hinder the submission of such reports and shall assess the impact of the information provided on the customer's risk profile of the cooperation. By analysing the major transactions of the customer, the institution provides an assessment of their compliance with the customer's business or personal activity, extent and the business activity characteristic of the market;

36.4. in order to decrease the risk, verify other customers of the group related to the customer and document the role of each group member, as well as deliver a reasoned opinion on the legal

and economic nature of the activities of the group of related customers, including their mutual transactions;

36.5. assess the need to meet the customer at the location of their business activity in order to ascertain that the previously submitted information about the beneficiary and business activity complies with the actual situation.

37. If the institution identifies a group related to the customer and enhanced due diligence is applied to one of the customers in this group, the institution shall apply due diligence to the customers belonging to the group related to the customer, taking a risk-based assessment approach, the specifics of the institution and the institution's internal regulatory enactments into account.

38. If an institution conducts enhanced due diligence, it shall, in accordance with a risk-based approach, conduct enhanced due diligence for the whole customer-related group, assessing:

38.1. the role (influence) of the customers of the group related to the customer in the group;

38.2. the date and result of the previous enhanced due diligence of the group;

38.3. uncertainties or inconsistencies with the activities of the customer group as a whole.

39. The institution shall document the final conclusions and the arguments supporting them in the enhanced customer due diligence file.

40. In order to establish that the prohibition determined in the Law on PMLTPF for cooperation with shell arrangements should be applied, considering the indications set forth in [Section 1](#), Clause 15¹, sub-clause (a) of the Law on PMLTPF and documentary information acquired, proving the existence of commercial activity or economic value; the institution specified in [Section 21¹ of the Law on PMLTPF](#) shall acquire at least the information and documents referred to in one or several sub-clauses of this Paragraph to the extent that it is sufficient in order to ascertain that the legal person is not a shell arrangement according to the specified indication. By using a risk-based assessment approach of legal persons that could correspond to the indications of shell arrangements in accordance with a risk assessment, the institution shall acquire and evaluate at least the following:

40.1. information and documents sufficiently explaining the business model of the legal person;

40.2. the annual financial report of the legal person, audited by an independent external auditor, from which sufficient understanding may be obtained regarding transactions performed by the legal person, and to establish whether the profit corresponds with the commercial activity and amount of transactions of the legal person;

40.3. information and documents confirming the actual movement of products and services within the framework of the commercial activity implemented by the legal person. If the activity of a legal person, considering the purpose of foundation thereof, is not related to the movement of products and services, information and documents should be obtained, confirming and describing the compliance of the activity of the legal person with the purpose of foundation thereof (for example, only holding of an asset in accordance with the business model);

40.4. information and documents regarding key cooperation partners of the legal person, confirming the actual commercial activity of cooperation partners;

40.5. information and documents confirming that the legal person performs tax payments (tax declaration), if the regulatory enactments determine the obligation to pay taxes in the particular situation;

40.6. information and documents confirming that the legal person has attracted other persons on the basis of a contract (such as employees, outsourcing providers), who actually organise and

perform the duties that refer to the commercial activity of the legal person, making sure of the compliance of duties with the commercial activity and amount of transactions of the legal person.

41. The institution specified in [Section 21¹ of the Law on PMLTPF](#) shall maintain updated information about customers of the institution - shell arrangements, specifying the following information:

41.1. the name of the legal person that has been recognised as a shell arrangement;

41.2 the characteristic feature or features specified in [Section 1](#), Clause 15¹ of the PMLTPF Law applying to a shell arrangement;

41.3. the date as of which the legal person has been recognised as a shell arrangement;

41.4. the date, when cooperation with the legal person that has been recognised as a shell arrangement has been commenced;

41.5. the country of residence of the legal person that has been recognised as a shell arrangement;

41.6. the name and surname, year of birth, identification document of the beneficial owner of the legal person that has been recognised as a shell arrangement;

41.7. country of residence of the beneficial owner of the legal person that has been recognised as a shell arrangement;

41.8. the name and surname, year of birth, identification document of the representative of the legal person that has been recognised as a shell arrangement;

41.9. the country of residence of the representative of the legal person that has been recognised as a shell arrangement.

42. The institution specified in [Section 21.1](#) of the Law on PMLTPF, by using a risk-based assessment approach, shall obtain information about a legal person for which the institution has identified an increased risk, as well as about the key cooperation partners – shell arrangements that are compliant with the characteristics specified in [Section 1](#), Clause 15¹, sub-clauses (a) and (b) of the Law on PMLTPF. If the customer of the institution has such cooperation partners, it shall perform an additional study of the legal person having increased risk, in order to eliminate to the extent possible, the risk of the legal person having increased risk, operating in the interests of such shell arrangements, the servicing of which is prohibited in accordance with the Law on PMLTPF.

4. Enhanced supervision requirements

43. The institution shall decide on the application of enhanced supervision to the customer undergoing due diligence in accordance with the MLTPF risk inherent to the customer, which shall include the identification of one or more of the following risk mitigation measures to maintain the necessary knowledge of the customer's activities and sufficient control over the customer's transactions:

43.1. execution of transactions only after the receipt and assessment of the supporting documents, which shall be documented;

43.2. execution of transactions only with the consent of a duly authorised employee of the institution or senior-level official;

43.3. setting restrictions on the further provision of services and offering of products (such as determining amount limits of the transaction to be carried out within a specific service, only allowing certain types of transactions or payments, only allowing transactions to certain countries or with certain partners), which do not refer to the procedures on refraining from the performance of a transaction;

43.4. determining the criteria upon the occurrence of which the assessment of the customer's transactions is carried out according to the nature of the criterion, including justification that the determined criteria are sufficient to mitigate the risks inherent in the customer's transactions;

43.5. ensuring real time monitoring of the transactions before their execution.

44. The enhanced monitoring of the customer's transactions may be applied until the institution has acquired the information required for enhanced customer due diligence or has decided to terminate its business relationship with the customer as well as actual closure of the account.

45. If the institution considers it appropriate to the risk inherent in the customer, it may apply limits to the customer of its enhanced supervision throughout the business relationship period or when performing a casual transaction.

5. Information technology solutions for management of the MLTPF risk and sanction risk

46. To ensure the automation and efficiency of processes, the institution shall provide appropriate information technology solutions for MLTPF risk and sanction risk management.

47. A credit institution shall provide:

47.1. automated information technology solutions for customer information processing (mandatory fields, availability of customer history information, interconnected customer group identifiers) and mitigation of possible errors, preparation of alerts if customer information needs to be updated;

47.2. an automated customer risk scoring system, taking into account the requirements specified in regulatory enactments and the establishment of a relevant warning and customer research status, if the customer risk scoring exceeds a threshold specified by the credit institution or other circumstances are established, upon the occurrence of which the credit institution conducts enhanced customer due diligence;

47.3. automated control over the timely performance of enhanced due diligence measures and generation of warnings in the event of delays;

47.4. automated transaction monitoring using scenarios to identify suspicious transactions that may indicate the MLTPF and sanction risk, and the creation of appropriate alerts when scenario criteria are met (risk factors identified);

47.5. automated verification of payment information (including the purpose of the payment) against sanctions lists and suspension or blocking of transactions in the event of a match;

47.6. automated screening of customers and their beneficial owners, authorised persons and participants against sanctions, lists of politically exposed persons, their family members or persons closely associated with politically exposed persons prior to entering into a business relationship and regularly at least once per day during the business relationship and creating alerts if a match is identified;

47.7. automated verification of customers and their beneficial owners, authorised persons and participants against special lists in accordance with the regularity and volume specified in the internal regulatory enactments of the institution;

47.8. the possibility to define different access rights for the performance of information technology system settings, evaluation of created alerts and performance of quality control;

47.9. automated recording and storage of auditing data on the settings made and actions performed, including after the performance of the relevant activity.

48. The credit institution shall test and document the effectiveness of the MLTPF risk and sanctions risk management information system in accordance with the level of risk and introduce improvements where necessary.

6. Final provisions

49. Regulation of the Financial and Capital Market Commission No. 135 of 21 August 2019 "[Normative Regulations for Customer Due Diligence, Enhanced Customer Due Diligence and Development of Risk Scoring System](#)" shall expire on 1 February 2021.

50. Regulation of the Financial and Capital Market Commission No. 219 of 28 December 2016 "Provision of Information Technology for Money Laundering and Terrorism and Proliferation Financing Risk Management" shall expire on 1 February 2021.

51. These Regulations shall come into force on 1 February 2021. The institution shall implement the changes necessary to comply with the requirements of the Regulations in the internal control system by 1 August 2021. During the transitional period, until the institution improves its internal control system to ensure compliance with the requirements of these Regulations, the institution shall apply the requirements of the regulations referred to in [Paragraphs 49](#) and [50 of these Regulations](#).

52. The institution coordinates the introduction of the requirements of the Regulations after the expiry of the transitional provisions with the Financial and Capital Market Commission.

Informative reference to the European Union legislation

The Regulations contain legal provisions arising from the joint guidelines of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority No. JC 2017 37 04/01/2018 "[Joint Guidelines under Articles 17 and 18\(4\) of Directive \(EU\) 2015/849](#) on simplified and enhanced customer due diligence and the factors that credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions".

Chairperson of the Financial and Capital Market Commission *S. Purgaile*