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Finantsinspektsioon identified shortcomings at AS LHV Pank (registry code 10539549) in the compliance with the anti-money laundering and terrorist financing requirements when providing correspondence banking services, and so it issued a precept requiring the bank to remedy the shortcomings and a fine of 900,000 euros for the misdemeanour identified.

Finantsinspektsioon carried out an on-site inspection at AS LHV Pank during which it assessed whether the anti-money laundering and terrorist financing systems and internal rules of the bank concerning the provision of correspondence services to clients that are financial institutions were in compliance with the law. It also assessed whether the systems and internal rules allow the greater money laundering and terrorist financing risks than usual from providing correspondence services to be managed effectively. The inspection found shortcomings at AS LHV Pank in the assessment and management of money laundering and terrorist financing risks from providing correspondence services and in the solutions for monitoring business relationships. The bank was in breach of the requirements for creating and monitoring business relationships, and in the obligation to store data.

Finantsinspektsioon issued a precept to the bank requiring the credit institution to extend and improve its systems for controlling money laundering and terrorist financing risks. Alongside the forward-looking precept, Finantsinspektsioon decided to fine the bank 900,000 euros for the misdemeanour committed in the past.

Chair of the Management Board of Finantsinspektsioon Kilvar Kessler said that the rapid growth at the bank was accompanied by shortcomings and rule violations in the risk environment. "It can happen at a financial intermediary that is developing rapidly that the risk control side does not keep up with the fast rate of growth. In such cases Finantsinspektsioon issues a supervisory reminder that risks must be managed and investment in risk management is needed. LHV Pank has been constructive in working with us on this case and in remedying the shortcomings we found. We will be monitoring that process carefully", he said.

AS LHV Pank has the right to appeal the precepts at the Tallinn Administrative Court within 30 days of notification of the administrative decision. AS LHV Pank has the right to issue a counterclaim against the misdemeanour decision within 15 days of receiving the decision.

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