

Combating money and property laundering in Lithuania: fundamental issues of economic crime prevention

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Abstract:

Money and property laundering mechanisms and prevention issues are analyzed in this paper. Author is taking into account general situation on prevention of money and property laundering in Lithuania, institutional and measures' framework for this prevention.

First of all, paper is focusing on general understanding what should be understood as money laundering per se as procedure and illegal action. This question is raised in common meaning, including worldwide understanding of money laundering phenomenon. Secondly, it is emphasizing what are the measures that must be taken to combat those illegal actions. This question also takes together the institutional framework for prevention and investigation in Lithuania. Thirdly, author is presenting what are the basic keys of money and property laundering in Lithuania and how preconditions of laundering are restricted or eliminated. Final conclusions are made what steps have been made and what steps are going to be implemented.

Keywords: *money, property laundering, prevention of laundering, economic crime, steps of money laundering mechanism.*

1. Principal framework of prevention mechanism

1.1. The overview of situation

Before making an overview of the money, property laundering, as part of economic crime, situation in Lithuania, it should be noted in general, that since the start of new millennium, the Baltic region has enjoyed one of the highest growth rates in the world. The key reasons included a housing investment boom fuelled by large capital inflows and cheap credits due to a very loose monetary regime and pro-cyclical fiscal policy. Further, the growth was certainly also driven by economic catching-up and financial deepening effects after obtaining EU membership in 2004. In Europe financial integration has a strong relationship with the current account deficit (hereinafter – CAD), the direction of that relationship depending on a country's income.

The most problematic factors for doing business in Lithuania are: tax rates, tax regulations, inefficient government bureaucracy, corruption, restrictive labor regulations, inadequately educated workforce, access to financing, policy instability, inadequate supply of infrastructure, poor work ethic in national labor force, inflation, government

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instability, crime and thefts, foreign currency regulations.² Its should be noticed, that Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, one could say, that its geographic location bordering Belarus and Russia makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (hereinafter – VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial (economic) crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion.

Although the role of organized crime groups from all three Baltic countries should not be underestimated, a central role for Lithuania organized crime seems to have emerged within the region. Lithuanian groups are acting as important traffickers in many criminal markets and regional locations, often beyond the borders of the North-East region. In some cases, Lithuanian organized criminal syndicates within the region including the Polish, Latvian and Estonian groups, may act as 'bridging groups', procuring goods from the global markets for specific sections of the regional market. The Lithuanian organized crime groups act both as independent players and as a main regional link to European Union (hereinafter – EU) and global criminal markets for other regional groups.³ The crime of money and property laundering is one of economic crimes, which is problematic to cope with. This is the answer, why it should be needed to explain, what is the mechanism of this current crime.

Theoretically and, even, practically, the main methods used to organise money and property laundering could be as follows.⁴ For instance, foreign companies transfer their money to the accounts of bogus foreign or Lithuanian companies which are usually established by foreign citizens in the Lithuanian banks where they money is cashed. Money is transferred from one foreign country to another by transit through Lithuania using the accounts of foreign bogus companies opened in credit establishments of Lithuania. Lithuanian companies transfer money to the accounts of Lithuanian bogus companies or non-profit companies (usually various fitness clubs) and the money is immediately cashed after it has been transferred. The proceeds of crime acquired in Lithuania are taken to foreign states or the proceeds of crime acquired in foreign countries are taken to Lithuania. The money is cashed and accounts of foreign bogus companies are opened and managed both by the citizens of Lithuania and foreign countries who are often antisocial or have connections with criminal groups. It is supposed that the major part of assets coming to Lithuania or used in order to conceal the illegal origin of assets and damage is incurred on the budgets of foreign countries, nevertheless, cases have been disclosed in which these were Lithuanian nationals who used accounts of foreign countries committing analogous criminal activity. Lithuanian companies used companies registered in foreign countries and foreign nationals more and more by transferring money for the alleged deals to the accounts of bogus companies or offshore companies in foreign banks. More cases occur in which money is cashed in neighbouring countries and in which the citizens of that particular country are

² Gutauskas, A. *Economic crisis and organized crime in Lithuania. Jurisprudence*, 2011, 18 (1): 303-326.

³ Hanley-Giersch, J., *The Baltic States and the North Eastern European criminal hub. Acams Today*, 2009, september-november, p. 36.

⁴ Gutauskas, A., *Economic crisis and organized crime in Lithuania. Jurisprudence*, 2011, 18 (1): 321-322.

involved. Having the proceeds of crime which were transferred to the accounts of offshore companies of foreign banks been made legal, investments are made in the Lithuanian economy branches in the names of the companies under consideration purchasing companies or their shares.

Quite a number of accounts of foreign bogus companies have been opened in the credit establishments of Lithuania which may be called transit accounts – international payment transfers made into these accounts from abroad, including doing it online, are further transferred to another foreign commercial bank. The scheme of this kind of money movement in which money travel through many countries and get into many accounts may be used in various schemes of tax evasion and in the legalization of the proceeds of crime, in this case it is especially difficult to identify sources of assets and final receivers.

There is no debating that money-laundering is an integral component of illicit trade. It appears there is a multitude of ways to do this and, for the most part, they manage without seeking assistance from professionals outside of the illicit market in which they operate.⁵

Concluding, it is thus necessary, for criminal organizations to, (1) erase the link between the crime and the money, (2) erase the link between the money and its new owner, and finally (3) shelter the profits from possible confiscation.⁶ Money laundering has become a critical issue for any significant criminal enterprise. Successful money laundering enables criminals to: remove or distance themselves from the criminal activity generating the profits, thus making it more difficult to prosecute key organisers; distance profits from the criminal activity – to prevent them being confiscated if the criminal is caught; enjoy the benefits of the profits without bringing attention to themselves; and reinvest the profits in future criminal activity or in legitimate business.⁷

Money laundering has a geographical principle which is closely related to the principle of neighbourhood (close in distance, no language boundaries) and a possibility to cross border of EU countries freely. Since the border of Lithuania is one of the external border of the EU, illegal assets are smuggled to the third countries (the Russian Federation, Belarus) not declaring them to the customs services of the Republic of Lithuania. Cash smuggling is one of the most frequent elements in money laundering schemes meant to conceal the illicit source and origin of money as well as its state of origin. Having the internal EU borders become open, the export of the proceeds of crime from the Republic of Lithuania and their export have become extremely simple and after further financial transactions the state of origin of the illicit assets becomes particularly difficult to trace. The geography of the financial transactions of organized criminal groups is also influenced by geographical location of Lithuania, which is especially attractive for drug transit.

As it could be seen above, prevention of money and property laundering crime must be widely miscellaneous and well-timed. The most obvious reasons to establish money

⁵ Malm, A., Bichler, G., *Using friends for money: the positional importance of money-launderers in organized crime. Trends in Organized Crime*, 2013, 1:380.

⁶ Thony, J.-F., *Money laundering and terrorism financing: an overview*. See: <https://www.imf.org/external/np/leg/sem/2002/cdmfl/eng/thony.pdf>

⁷ McDonnell, R. *Money, Laundering methodologies and international and regional counter-measures*. Paper presented at the conference Gambling, Technology and Society: Regulatory Challenges for the 21st Century, convened by the Australian Institute of Criminology in conjunction with the Australian Institute for Gambling Research and held in Sydney, 7-8 May 1998. See: http://www.aic.gov.au/media_library/conferences/gambling/mcdonnell.pdf

laundering counter-measures are to stop criminals from achieving the benefits of money laundering outlined at the start of this paper. Specifically: to stop them from enjoying the personal benefits of their profits (this may act as a deterrent as well as a punishment); to prevent them from reinvesting their funds in future criminal activities (that is to strip them of their working capital base); and to provide law enforcement with a means to detect criminal activities through the audit trail and to provide an evidentiary link for prosecution purposes between criminal acts and major organisers.⁸

1.2. General consideration of the measures for prevention of money and property laundering within the state

The process of prevention of money laundering is remarkably complex and demanding. It contains many variables that must be taken into consideration in order to achieve the ultimate goal – establishment of effective and efficient anti-money laundering (AML) process.⁹

According to Law on the prevention of money laundering and terrorist financing of the Republic of Lithuania¹⁰, the purpose of this Law is to establish the measures for the prevention of money laundering and/or terrorist financing and designate the institutions responsible for the implementation of the money laundering and/or terrorist financing prevention measures.

In general, Law describes what money laundering shall mean:

1) the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such activity to evade the legal consequences of his action;

2) the concealment or disguise of the true nature, origin, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or from an act of participation in such activity;

3) the acquisition, possession or use of property, knowing, at the time of receipt/transfer, that such property was derived from criminal activity or from an act of participation in such activity;

4) preparation, attempts to commit and complicity in the commission of any of the activities mentioned in subparagraphs 1-3 of this paragraph.

In general one can say, that in the literature on money laundering, this hurdle for criminals is referred to as the integration of illegal proceeds into the legitimate economy, whereby their criminal origins are concealed upon placement in the financial system. Sometimes this involves complex money laundering constructions, such as financing a purchase via the operations of a foundation that manages an offshore trustee company. Because this form of money laundering requires considerable expertise and resources, criminals will call on the assistance of so-called financial facilitators. These are experts who put criminals in a position to circumvent the anti-moneylaundering

⁸ *Ibid.*

⁹ Trajkovski, G., Nanevski, B., *Customer due diligence – focal point of the anti-money laundering process. Journal of Sustainable Development*, 2015, 1: 40.

¹⁰ Law on the prevention of money laundering and terrorist financing of the Republic of Lithuania was adopted firstly in 1997.

measures. Such experts play a key role in criminal networks due to their unique skills and expertise.¹¹

Institutions responsible for the prevention of money laundering in Lithuania are as follows: The Government of the Republic of Lithuania, the Financial Crime Investigation Service under the Ministry of the Interior of the Republic of Lithuania, the State Security Department of the Republic of Lithuania, the Bank of Lithuania, the Customs Department under the Ministry of Finance of the Republic of Lithuania, the Department of Cultural Heritage Protection under the Ministry of Culture of the Republic of Lithuania, the State Gaming Control Commission, the Chamber of Notaries, the Chamber of Auditors, the Lithuanian Chamber of Bailiffs, the Lithuanian Assay Office and the Lithuanian Bar Association.

Every institution, mentioned above, are implementing prevention measures, that should be described more or less in details.

The first measure is Customer's and Beneficial Owner's Due Diligence. According to this measure, financial institutions and other entities must apply due diligence measures in respect of the customer and the beneficial owner: 1) when establishing a business relationship; 2) when carrying out monetary operations or concluding transactions amounting to more than EUR 15000 or the corresponding amount in foreign currency, whether the operation is carried out in a single operation or in several operations which appear to be linked, except in cases when the customer's and beneficial owner's identity has already been established; 3) when exchanging cash, when the amount exchanged exceeds EUR 6000 or the corresponding amount in foreign currency; 4) when performing internal and international remittance transfer services, if the sum of money sent or received exceeds EUR 600 or the corresponding amount in foreign currency; 5) performing and accepting remittance transfers in compliance with the provisions of Regulation (EC) No 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds; 6) when there are doubts about the veracity or authenticity of previously obtained customer or beneficial owner's identification data; 7) in any other case when there are suspicions that the act of money laundering and/or terrorist financing is, was or will be performed.

The second measure is Simplified Customer Due Diligence, which means that simplified customer due diligence shall be applied in respect of: 1) companies whose securities are admitted trading on a regulated market in one or more EU Member States, and other companies from third countries whose securities are traded in regulated markets and which are subject to disclosure requirements consistent with European Union legislation; 2) beneficial owners of pooled held by notaries and other legal professionals from the EU Member States or from third countries, provided that they are subject to requirements to combat money laundering and/or terrorist financing consistent with international standards and are supervised by competent authorities for compliance with those requirements and provided that the information on the identity of the beneficial owner is available, on request, to the financial institutions which have such pooled accounts; 3) life insurance policies where the annual premium is no more than EUR 1000 or the single premium is no more than EUR 2500 or the corresponding amount in foreign currency; 4) insurance policies for pension schemes if there is no surrender clause and the policy cannot be used as collateral; 5) a pension, superannuation or similar scheme that provides retirement benefits to employees, where contributions

¹¹ Soudijn, M.R.J., *Removing excuses in money laundering. Trends in Organized Crime*, 2012, 1: 147.

are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme; 6) electronic money, where, if the device cannot be recharged, the maximum amount stored in the device is no more than EUR 250, or the corresponding amount in foreign currency, or where, if the device can be recharged, a limit of EUR 2500, or the corresponding amount in foreign currency, is imposed on the total amount transacted in a calendar year, except when an amount of EUR 1000, or the corresponding amount in foreign currency, or more is redeemed in that same calendar year by the bearer; 7) any customer, if the customer is a financial institution covered by this Law, or a financial institution registered in another EU Member State or in a third country which sets the requirements equivalent to those of this Law, and monitored by competent authorities for compliance with these requirements; and 8) the customer representing a low risk of money laundering and/or terrorist financing.

The third measure is Enhanced Customer Due Diligence, which shall be applied:

1) in the case of performance of transactions or business relationships through the representative or the customer not being physically present for identification purposes; 2) in the case of performance of the cross-border correspondent banking relationships with third country credit institutions; 3) in the case of performance of transactions or business relationships with politically exposed natural persons; 4) where there is a great risk of money laundering and/or terrorist financing.

When the customer opens an account or performs other operations in other than his own name, financial institutions and other entities must verify the customer's identity and that of the person on whose behalf the customer is acting. Financial institutions and other entities may, when identifying the customer or the beneficial owner, make use of the information of the third parties about the customer or the beneficial owner. They may verify the customer's and the beneficial owner's identity without his direct participation making use of the information about the customer or the beneficial owner from financial institutions and other entities or their representations abroad. When requested, third parties must immediately submit to the requesting financial institution or another entity the entire requested information and data which must be in possession. Third parties must immediately submit to the requesting financial institution or another entity copies of the documents relating to identification of the customer or the beneficial owner and other documents relating to the customer or the beneficial owner.

Financial institutions and other entities must report to the Financial Crime Investigation Service about the suspicious or unusual monetary operations and transactions performed by the customer. Such operations and transactions shall be objectively established in the course of performance, by financial institutions and other entities, of ongoing monitoring of the customer's business relationship, including investigation of the transactions concluded during the relationship between the companies.

Concluding, the main institution, that is responsible for prevention of money and property laundering is Financial Crime Investigation Service¹². According to Law, this Service shall, within its sphere of competence:

¹² In accordance with order of the Minister of the Ministry of Interior of the Republic of Lithuania No. 1V-949 of November 14th of 2013, a new specialized board was established within the Service on December 1st of 2013 – Money Laundering Prevention Board, which was commissioned to implement the prevention measures of money laundering and terrorist financing.

1) collect and record the information indicated in this Law about the monetary operations and transactions of the customer and about the customer carrying out such operations and transactions;

2) accumulate, analyse and publish, according to the procedure established by legal acts, the information relating to the implementation of money laundering and/or terrorist financing prevention measures and the effectiveness of their system of money laundering and/or terrorist financing prevention (also the information on the prevention of the use of the financial system for the purpose of money laundering and/or terrorist financing as specified in paragraph 2 of Article 33 of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and/or terrorist financing;

3) communicate to law enforcement and other state institutions according to the procedure established by the Government the information about the monetary operations and transactions carried out by the customer;

4) conduct pre-trial investigation of legalisation of the funds and property derived from criminal activity;

5) co-operate and exchange information with foreign state institutions and international organisations implementing money laundering and/or terrorist financing prevention measures;

6) provide to financial institutions and other entities the information on criteria for identifying possible money laundering and/or terrorist financing and suspicious or unusual monetary operations or transactions;

7) submit proposals about the improvement of the money laundering and/or terrorist financing prevention system to other institutions responsible for money laundering and/or terrorist financing prevention;

8) notify financial institutions and other entities, law enforcement and other state institutions about the results of analysis of and investigation into their reports on suspicious or unusual monetary operations and transactions, on the observed indications of possible money laundering and/or terrorist financing or violations;

9) co-operate, in accordance with the procedure laid down by laws and other legal acts of the Republic of Lithuania under Regulation (EU) No 1093/2010, Regulation (EU) No 1094/2010 and Regulation (EU) No 1095/2010, with European supervisory authorities and provide them with the entire information necessary for the achievement of their tasks.

One of the main measures of the prevention of money laundering and terrorist financing enshrined in the Law on the prevention of money laundering and terrorist financing is reporting to the Service suspicious monetary operations carried out or attempted/planned by customers of financial institutions. Provisions of this Law require that commercial banks and other financial institutions in all cases perform ongoing monitoring of the customer's business relationships, including scrutiny of transactions undertaken throughout the course of such relationship, to ensure that the transactions being conducted are consistent with the financial institutions' or other entities' knowledge of the customer, the business and risk profile, including, where necessary, the source of funds. In implementing the aforementioned actions, commercial banks identify unrepresentative, unusual or suspicious monetary operations of customers and immediately report them to Service as required by the Law.

It should be noticed, that most of the anti-money laundering regulations so far concern the banking sector. Although some countries still compete for criminal money and might be less strict in applying the anti-money laundering laws than others, the banking sector has become less attractive for launderers. At the very least, laundering costs might have increased and therefore have a deterrence effect for laundering in the banking sector.¹³

In observance of the regulations approved by the Director of the Service, the Money Laundering Prevention Board also summarises the practice of the application of laws, resolutions of the Government of the Republic of Lithuania, orders of the Minister of the Interior and other legal acts related to the prevention of money laundering and terrorist financing, drafts proposals for their amendments and supplements. Within the limits of its competence, the Board cooperates and exchanges information with foreign financial intelligence units or international organisations and with law enforcement bodies and other institutions of the Republic of Lithuania. It should be noted that the Money Laundering Prevention Board has been granted the powers to investigate the cases of administrative violations of law in the area of prevention of money laundering and terrorist financing.

2. Present situation and lawmaking procedures

It is worth to emphasise, that after evaluation¹⁴ of present situation in Lithuania, concerning money and property laundering issues, the conducted analysis of the financial operations facilitated in disclosing quite a number of Lithuanian entities of which the representatives withdrew large amounts of money from their accounts, like every year. It was established that such entities, as a rule, are either newly set up or have new owners, they employ only one or several employees who often are previously convicted persons, and activities of such entities are doubtful. Cash to accounts of such entities is usually credited by different enterprises of the Republic of Lithuania, and immediately withdrawn from the accounts after the transfer. Almost in all such cases, cash withdrawals, as a rule, were made from automated teller machine (ATMs) operating in Lithuania.

Currently, more than 1300 legal entities have accounts in Lithuania's credit companies; these legal entities are registered in states or zones and do not carry out any activities in them, do not have a real administration object or management and do not pay any taxes. The board pays more attention to the control of activities of such companies.

The accounts of companies recently registered in Lithuania are opened in the banks; no settlements, important operations related to a business activity are carried out in such accounts as well as no payments are transferred to a company's employees and others. Companies usually do not have employees and companies' heads, who open accounts, are often young persons or foreigners. An account from abroad is credited with great amount of money (an one-time transfer in foreign currency can exceed 1 million litas (in 2014 year)) and such companies immediately try to transfer that sum abroad. In all cases, after such monetary operations Lithuania's credit companies sooner

¹³ Unger, B., Hertog, J., *Water always finds its way: Identifying new forms of money laundering*. *Crime, Law & Social Change*, 2012, 57:296.

¹⁴ Money laundering and terrorist financing prevention activities of the Financial crime investigation service in 2014. See: http://www.fntt.lt/uploads/docs/ML_TFP_Activities_Financial_Crime_Investigation_Service_2014.pdf

or later receive SWIFT reports from the banks claiming that those transfers are illegal. Investigations started by the Service proved the most common scheme: by means of swindling criminal groups force foreign companies to transfer great sums to the accounts of companies established in Lithuania; funds obtained from these accounts are legalized through a fictitious companies' network created in various Europe countries.

Use of money transfer systems and typologies of money mules. Reports continue to be received from the money transfer system "Western Union" on persons receiving or transferring money through money transfer systems. The performed analysis showed that such funds usually originate not from the EU Member States; later they are cashed-out by Lithuanian and foreign citizens. It should be emphasized that analyzed cases are often related to so-called typology of money mules when persons committing criminal activities find and hire other persons to perform monetary operations. There are more cases when money transfers are performed or received by Nigeria citizens; therefore, there is a possibility that the before mentioned persons may be related to the fee fraud Nigerian scams.

Value added taxes (VAT) carousel fraud. Criminal acts are usually aimed at avoiding or reducing different taxes. Such illegal activities involve the falsification of the documents of import and acquisition of goods, the use of the offshore companies, the chain of shell companies, making payments for actually undelivered/unsold goods. Criminals illegally replacing the excise codes of goods avoid taxation and benefit from zero excise duty. In cooperation with the STI, the Money Laundering Prevention Board disclosed the cases in which entities that have not been actually engaged in economic activity and have been used only as intermediaries in illegal activities and to enable other VAT payers from the EU to avoid VAT obligations and generate a falsified VAT return in other EU Member States.

As it could be seen from above, money and property laundering, as an element of economic crime, has been developed internationally, *i.e.* international element is taking place for committing laundering actions.

Having in mind that combating money and property laundering procedure and prevention requires more and more development, responsible Lithuanian institutions are doing their best to improve the legal mechanisms for prevention and combating money and property laundering phenomenon.

For example, on 15 May 2014, the Seimas (Parliament) of the Republic of Lithuania adopted the Law on the prevention of money laundering and terrorist financing of the Republic of Lithuania (hereinafter – Law) of the changes and supplements, which was drew up by the Financial crime investigation service (hereinafter – FCIS) and became valid on September 1 of the same year.

Amending the Law, the recommendations of Moneyval Committee experts and the FATF were implemented:

1. "Suspicious financial transactions" and "terrorist financing" concepts were changed in the way to comply with the Financial Task Action Force (hereinafter – FATF) recommendations; the term "suspicious financial transactions" was waived;

2. "Natural entities participating in politics" and "important public office" concepts were changed in the way to comply with the FATF recommendations. Also, in soon to be changed Law, enhanced identification verification will be applied to the natural entities participating in politics, whose place of residency is in other Member State or in a Third Country. For other natural entities participating in politics, enhanced identification verification may not be applied if there is no legal basis for such actions;

3. The duration of suspension of the suspicious financial transactions is prolonged from 5 to 10 working days;

4. By defining the concept “cash” in the Law, the requirement to declare cash will also include the declaration of other payment measures, such as travel checks etc.;

5. Some provisions of the Law were amended seeking to comply with the Directive of the European Parliament and of the Council requiring that identification of the clients must be determined if financial transactions equal or exceeding 15 000 Euros are performed;

After adopting the Law amendments, the deficiencies identified by the Moneyval experts were eliminated.

Implementing the Law amendments, on 3 December 2014 the Government of the Republic of Lithuania by resolutions No 1351 and No 1352 approved the descriptions and regulations drawn up by the Money laundering prevention board (hereinafter – MLPB) and coordinated with the interested institutions:

1. Register management regulations of monetary operations and suspicious monetary operations performed by a customer;

2. The procedure description of the suspension of suspicious monetary operations and transactions and of the submission of suspicious monetary operations or transactions to the FCIS;

3. The procedure description of the submission of the information to the FCIS on monetary operations and transactions which equals to or exceeds the sum of 15 000 EUR or the same sum in foreign currency.

The before mentioned implemented legislation of the Law carries out the before described and other amendments of the Law reducing the administrative burden to the Law entities. After adopting these amendments, financial institutions and other entities must have the procedure of register filling and administration, but do not have to coordinate it with the FCIS. In addition, the provisions on the conditional features coordination of recognition criteria of suspicious monetary operations or transactions were eliminated. Financial institutions and other entities still have an obligation to inform the FCIS about an appointed responsible person who organises the implementation of the measures of money laundering and terrorist financing prevention and cooperates with the FCIS as determined in the Law.

As far as investigative and prosecutorial authorities are concerned, Lithuania has managed to establish a high degree of specialisation despite the country's limited size and these authorities generally seem to have the necessary legal tools to perform well. However the targeting of criminal assets is still neglected.

Conclusions

1. Laundering of the proceeds of crime seem to be very flexible. Money laundering transforms from the traditional financial (banking) sector to the less regulated derivative market and to other sectors. Electronic payments via the internet or by loadable phone cards are increasing. Money laundering by illegal invoicing of exports and imports and other forms of business based money laundering offer a substitute for offenders.

2. Financial markets offer many shelters for money launderers. The transparency that has been introduced into financial transactions has not been reproduced at the level of appropriate laws. The mobilization of state (public) institutions must be incessantly

pursued, and the collaboration of both the financial sector and more generally the private sector must also be thorough.

3. Measurement and detection of money laundering face new challenges with these new ways of laundering. Money and property laundering prevention includes various measures, such as institutional control, customer's and beneficial owner's due diligence, lawmaking and investigating procedure according to administrative and criminal laws.

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