

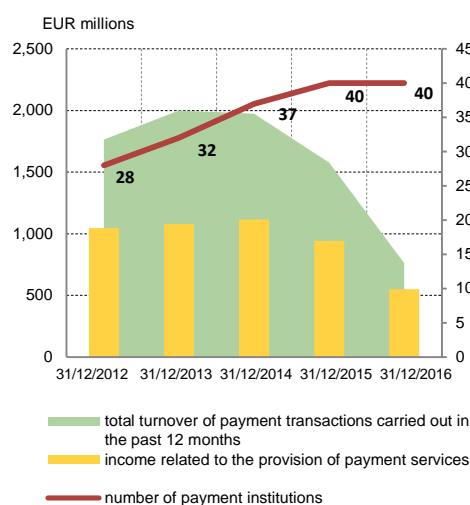


**Public list of payment institutions.** As of 31 December 2016, 40 payment institutions were in the Public List of Payment Institutions.<sup>1</sup> On a year on year basis, the number of payment institutions remained unchanged; 3 new payment institution licences were issued, and 3 payment institutions changed their payment institution licences to electronic money institution licences. 27 institutions held licences entitling them to provide payment services in the Republic of Lithuania and other European Union Member States, 13 – held a payment institution licence for restricted activity, valid only in the Republic of Lithuania and providing that the average amount of payment transactions performed within the last 12 months must not be above EUR 3 million per month.

**Activities performed.** According to audited (where audit is obligatory) and shareholder-approved financial statements, in 2016 payment institutions earned a EUR 9.9 million profit from the provision of payment services, a year-on-year decrease of EUR 7 million, or 41.5 per cent. Total turnover of payment transactions carried out in the past 12 months amounted to EUR 761.5 million, narrowing by EUR 816.2 million, or 51.7 per cent, year on year. Such a decrease (as well as development in other indicators for the payment institution system) was mainly led by the fact that *AB Lietuvos paštas*, which in 2015, as in the previous reporting periods, accounted for a significant part of the entire system of payment institutions in terms of volume of payment services provided (in 2015 its income from the provision of payment services accounted for 46% of total income from payment services, turnover – 52% of total turnover of payment transactions) was issued an electronic money institution licence in 2016, i.e. it expanded its business model with issuance of electronic money, providing the possibility for clients to open payment accounts. As in previous reporting periods, most payment institutions were engaged in other economic and commercial activities, providing payment services as additional services only; hence, the share of both payment institution income from the provision of payment services and debt for payment services provided was small and accounted for 5.2 and 4.4 per cent of total liabilities respectively. On the other hand, in 2016, 13 payment institutions earned income only from the provisions of payment services or their income earned amounted to more than 90 per cent of total income.

In 2016, 5 payment institutions did not perform licensing activities. As *AB Lietuvos paštas* expanded its business model and shifted to the electronic money institution market, the market share of 5 largest payment institutions contracted in the reporting period: the total share of payment transaction turnover accounted for 64 per cent (a drop of 17 p.p.), while income from licensing activities – 59 per cent of the market (a drop of 14 p.p.). In 2016, *SOLLO*, *UAB*, providing money remittance via the network of *MAXIMA LT*, *UAB*, held the leading position: its income from the

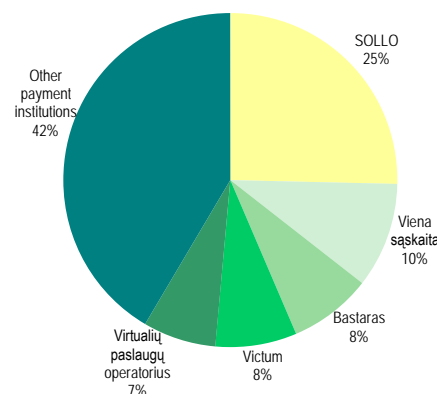
**Chart 1. Data on the activities of payment institutions**  
(2012–2016)



Source: Bank of Lithuania calculations.

**Chart 2. Greatest share of payment institutions in the payment institutions system by income from payment services**

(as at 31 December 2016)

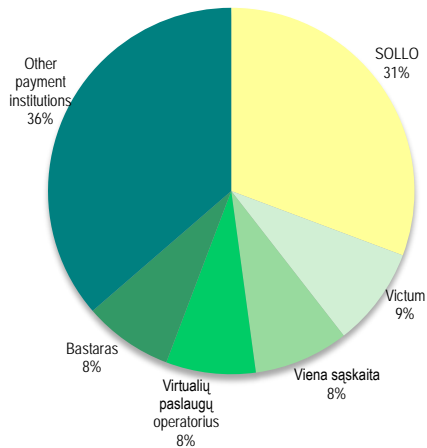


Source: Bank of Lithuania calculations.

<sup>1</sup>In 2015, *UAB Perlo paslaugos* was issued an electronic money institution licence; therefore, its operational financial data for 2016 was included in the electronic money institution system rather than the payment institution system.

**Chart 3. Share of largest payment institutions in the payment institutions system by total turnover of payment transactions**

(as at 31 December 2016)



Source: Bank of Lithuania calculations.

provision of payment services accounted for 25 per cent of total income from payment services, turnover – 31 per cent of total turnover of payment transactions.

**Compliance with prudential requirements.** All payment institutions complied with the safeguarding requirement for the funds of payment service providers or for those received from another payment service provider, established in the Republic of Lithuania Law on Payment Institutions (hereinafter – the Law): they separated these funds from the funds of other natural or legal persons who are not users of payment services, and held them on the accounts of credit institutions. On the reporting date, as in the previous year, 8 payment institutions also applied another method for safeguarding the funds of payment service users – they had concluded warranty (guarantee) contracts with an insurance undertaking or a credit institution on the insurance of these funds. On 31 December 2016, all payment institutions holding a payment institution licence for restricted activity complied with the average amount of payment transactions requirement (not exceeding EUR 3 million per month), set forth in the Law. As of 31 December 2016, the total amount of payment institutions' own funds was EUR 9.3 million. On the aforementioned date, the total own funds requirement (calculated by applying one of the Bank of Lithuania-approved methods chosen by a payment institution) amounted to EUR 1.4 million. Due to rather low volumes of payment transactions and other financial data, used in calculating the amount of the own funds requirement, the own funds requirement of 12 payment institutions (out of all payment institutions that must comply with the own funds requirement) did not exceed the amount set forth in the Law (EUR 20 thousand). 1 payment institution had to take measures to ensure that its own funds would not be less than its own funds requirement. By increasing authorised capital, the institution ensured compliance with the own funds requirement after the reference date. It should be noted that 21 payment institutions, in calculating their own funds requirement, applied method B, which is based on the average amount of payment transactions in the course of 12 months, 3 payment institutions – method C, which is based on payment services income and expenses, another 3 – method A, which is based on fixed expenses of a payment institution. Information on each payment institution's [key performance indicators](#) for the year and each quarter as well as on their compliance with prudential requirements is published on the Bank of Lithuania website.

**Future changes in the field of legal regulation.** Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (hereinafter – [PSD2](#)) came into effect on 25 November 2015. The Ministry of Finance of the Republic of Lithuania, together with the Bank of Lithuania, prepared a [legislative package implementing PSD2](#), which was presented to the market for comments.

PSD2 has to be transposed into national law by 13 January 2018. Payment institutions holding a payment institution licence will be able to continue their activities without complying with the requirements set forth in the Directive until 13 July 2018, while payment institutions holding a payment institution licence for restricted activity – until 13 January 2019.

**On 30 June 2016, the Seimas of the Republic of Lithuania adopted amendments to the Republic of Lithuania Law on Payments.** They implement Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (Payment Accounts Directive, PAD). The Law provides for a possibility for users to easily and quickly change payment service providers, i.e. transfer their payment account from one payment services provider to another. To ensure an easy and uncomplicated comparison of rates applied by various payment service providers, the

Bank of Lithuania website will publish information on all commission fees for services related to payment accounts. The goal is also for payment service providers to provide to users, free of charge, reports on the commission fees that they paid – every half year for the whole year.

**On 3 November 2016, the Seimas of the Republic of Lithuania adopted the Republic of Lithuania Law on Crowdfunding, which came into force on 1 December 2016.** The Law stipulates that natural and legal persons can publicly borrow from unidentified persons via crowdfunding platforms for business, professional, educational, scientific and other purposes, excluding consumer purposes. The Law on Crowdfunding establishes the terms and conditions for crowdfunding and the activities of crowdfunding operators, requirements for such operators, which are necessary for revealing the extent of information on the financing platform, inclusion in and removal from the public List of Crowdfunding Platform Operators, as well as the basis for the procedure for the supervision of the activities of crowdfunding platform operators.

**Position of the Bank of Lithuania Supervision Service on funds held on payment accounts was announced.** Having established that financial market participants have a different understanding of the contents and functionality of a payment account, as well as of the possibility to hold funds on a payment account for an unlimited time or for a period longer than is necessary to perform payment operations, a position was adopted, presenting an explanation on the differences between payment accounts at payment institutions and electronic money institutions.