



LIETUVOS BANKAS
EUROSISTEMA

Review of the Activities of Management Companies

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Licences of management companies. As at 31 December 2016, 10 management companies holding operating licences and operating in compliance with the Law on Collective Investment Undertakings, the Law on the Supplementary Voluntary Accumulation of Pensions and the Law on Management Companies of Collective Investment Undertakings Intended for Professional Investors, 10 management companies operating in compliance with the Law on Collective Investment Undertakings Intended for Informed Investors, as well as 10 investment companies operated in Lithuania's market for financial instruments. In 2016, the operating licence of *UAB Danske Capital investicijų valdymas* was revoked as the company was merged with *UAB Swedbank investicijų valdymas*. The Review presents operational data of management companies holding operating licences and operating in compliance with the Law on Collective Investment Undertakings, the Law on the Supplementary Voluntary Accumulation of Pensions and the Law on Management Companies of Collective Investment Undertakings Intended for Professional Investors.

Activities of management companies. As at 31 December 2016, management companies managed 18 2nd pillar pension funds for accumulation of a portion of the state social insurance contribution, 12 3rd pillar funds for supplementary voluntary pension accumulation, 16 collective investment undertakings operating in compliance with the Law on Collective Investment Undertakings, 39 collective investment undertakings operating in compliance with the Law on Collective Investment Undertakings Intended for Informed Investors, and 1 collective investment undertaking operating in compliance with the Law on Management Companies of Collective Investment Undertakings Intended for Professional Investors.

Assets of management companies. According to audited financial statement data, in 2016 the assets of management companies increased by 5.6 per cent and as of 31 December 2016 amounted to EUR 24.7 million (as of 31 December 2015 – EUR 23.4 million). As at 31 December 2016, year on year, most of management companies' assets were held in bank accounts (48.2 %).

Operating results of management companies and compliance with prudential requirements. According to audited financial statement data, the operating profit of management companies in 2016, year on year, expanded by 9.6 per cent. The operating result for 2016 was a profit of EUR 4.7 million (in 2015 – EUR 5.2 million). Operations of 8 management companies were profitable, while 2 management companies experienced losses. *UAB SEB investicijų valdymas*, *UAB Swedbank investicijų valdymas*, *UAB DNB investicijų valdymas* and *UAB Lords LB Asset Management* earned most profit. As at 31 December 2016, all management companies complied with the capital adequacy requirement (1.0) and exceeded it.

On 29 August 2016, *UAB Prudentis* was issued a warning for violation of the Law on Collective Investment Undertakings and legal acts regulating the activities of collective investment undertakings and management companies; it was imposed a fine (EUR 6 thousand) for the violations of the requirements established in the Law on Collective Investment Undertakings Intended for Informed Investors determined during the inspection. On 11 July 2016, following an in-

Chart 1. Data on the activities of management companies

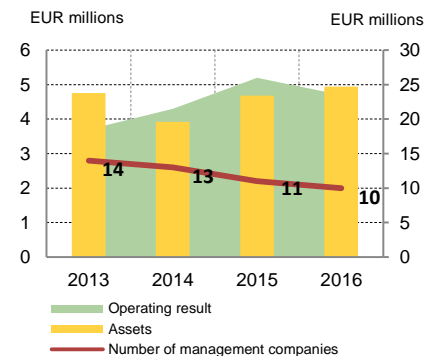


Chart 2. Assets of management companies

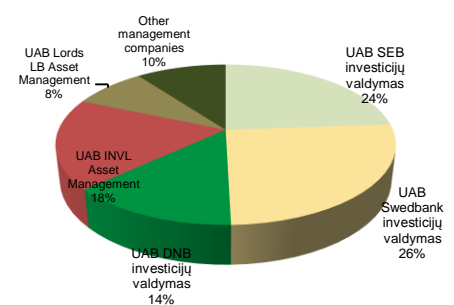
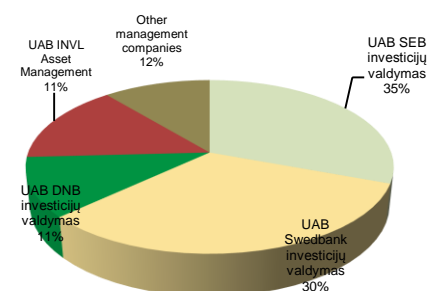


Chart 3. Client assets managed by management companies



Source: Bank of Lithuania calculations.

investigation of the investment sub-fund *Dovre Inside Nordic* managed by *UAB Dovre Forvaltning*, the latter was issued a warning for violation of the Law on Collective Investment Undertakings.

Changes in the field of legal regulation. By Decision No 03-10 of the Board of the Bank of Lithuania of 28 January 2016, prepared by the Bank of Lithuania, amendments to the Rules on the Publicly Announced Information on Financial Brokerage Firms and Management Companies were approved. The list of publicly announced information on subordinated loans, other debt instruments, their maturity and terms and conditions, as well as information on credit and dilution risk of purchased receivables, market and operational risk, and compliance with capital adequacy requirements, were supplemented. These changes are published in the Register of Legal Acts.

By Decision No 03-26 of the Board of the Bank of Lithuania of 11 February 2016, the Regulations for Risk Management of Management Companies were approved. They establish the key risk management principles, with which management companies must comply so that their risk management would be properly organised, efficient and ensuring secure, stable and reliable operation. The requirements, as set forth in the Rules, are applied to management companies operating in accordance with the Law on Collective Investment Undertakings, the Law on the Supplementary Voluntary Accumulation of Pensions and/or the Law on Management Companies of Collective Investment Undertakings Intended for Professional Investors.

On 28 January 2016, the Official Journal of the European Union announced the regulatory technical standards for prudent valuation.

The adopted amendments to the Law on Collective Investment Undertakings provide for stricter administrative penalties and liability for non-compliance with operational requirements for collective investment undertakings, companies managed by them and depositories; they also reinforce operational requirements for depositories, regulate delegation of depository functions to other custodians (sub-depositories), and harmonise conditions for civil liability. Remuneration policy requirements applied for management companies and investment companies whose management has not been delegated to a management company were also tightened seeking to ensure sustainable growth, achievement of long-term goals, and proper balance of interests between management company staff and unitholders of collective investment undertakings managed by it.

Seeking to alleviate the administrative burden, related to the provision of reports and other information for supervisory purposes, on management companies, the Bank of Lithuania constantly reviews and improves legal acts. In Q2 2016, the Board of the Bank of Lithuania adopted amendments to the resolutions of the Board of the Bank of Lithuania, waiving the requirements for management companies to submit to the Supervision Service of the Bank of Lithuania any amendments to internal procedures, policies and other documents. It was determined that only essential information has to be submitted. The requirement for management companies to submit information on the composition of the remuneration committee, changes in remuneration policy, and on the list of employees, whose professional activity and decisions taken may have a material impact on risk assumed by the credit institution, was also waived. The obligation imposed on management companies to receive prior permission to change accounting policies as well as their obligation to submit revised accounting policies to the Bank of Lithuania were lifted. The amount of information constantly received from market participants is being reduced taking into account the intensity level of management company supervision, set in accordance with the risk-based supervision principle.