

SURVEY OF
FINANCIAL MARKET
PARTICIPANTS
ABOUT THE
SUPERVISORY
ACTIVITY OF THE
BANK OF
LITHUANIA

2017
FEBRUARY

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Foreword

Dear Colleagues,

The Bank of Lithuania carries out supervision of the financial market participants' activities in accordance with the powers defined by law. Our strategic objective in this area for the next four years is to create an innovative and attractive regulatory and supervisory environment in the financial sector, which would encourage competition among market participants and stimulate sustainable development of the sector as a whole.

We are confident that in order to achieve these objectives, we must act not only as a strict regulator, but also as a reliable partner in the financial sector, who is understanding and understandable, willing to and able to listen and ensure effective feedback.

In order to strengthen this mutual relationship, in the autumn of last year, for the first time we carried out a survey about the views of our financial market participants concerning the activity of the Supervision Service of the Bank of Lithuania over the past years. We are sincerely grateful to all who have heard our call and answered the questions relevant to us and the whole market in an open and businesslike manner.

Without any doubt, we were pleased by the fact that the absolute majority of the survey participants positively assessed our work by pointing out that the Bank of Lithuania and the Supervision Service are carrying out effective supervision of the financial market. We are also pleased that most of the respondents greatly appreciated not only the maintenance of professional competence of officials, but also their behaviour when communicating with market participants. But most of the focus has been on your critical comments and suggestions for improvement in order to ensure that the constructive partnership between the Bank of Lithuania and market participants gives the best results and maximum benefit to the public. Therefore, I can assure that all your opinions will be carefully considered, your arguments will be heard, and constructive ideas are likely to make a significant contribution to the changes consistently implemented by the Bank of Lithuania through elimination of meaningless administrative constraints, nurturing the idea of transparent and fair dialogue, and creating the attractive environment of the financial sector.

A handwritten signature in black ink, consisting of a large, stylized loop that crosses itself, followed by a short vertical line.

Vitas Vasiliauskas
Chair of the Board of Bank of Lithuania

We hereby present a summary and a broader overview of the survey. Market participants may find it useful to read the comments of the Supervision Service of the Bank of Lithuania presented in the overview of the survey regarding the recommendations and suggestions of market participants on the improvement of the supervisory activities. Comments are presented at the end of sections II, III, IV, and V.

Summary

- The purpose of the survey was to record the opinions/personal views of the financial market participants about the financial market supervision function performed by the Bank of Lithuania in general and with regard to several essential elements of the supervisory process, i.e., legislation and regulation, licensing, on-site inspections and investigations, dispute and complaint resolution, and financial education of consumers.
- The survey was carried out in August–October 2016. In total, 350 representatives of financial market participants supervised by the Bank of Lithuania were surveyed. The majority of respondents were the representatives of banks, credit unions and insurance companies.
- The vast majority of the survey respondents are rather satisfied or very satisfied with the activity of the Supervision Service (SS): positive ratings amount to 64 per cent; only 1.4 per cent (5 respondents out of 350) of respondents indicated that they were dissatisfied and 8.9 per cent – rather dissatisfied with the SS activity.
- Among the main areas for improvement in the SS, the respondents indicated faster response to infringements of market participants, more specific and faster answers to enquiries, better implementation of one-stop shop, instead of looking for answers from different SS specialists, enabling the delivery of as many documents as possible in electronic format, and seeking for balance in consumer protection and the supervision of financial market participants.
- The absolute majority of respondents indicated that the Bank of Lithuania and the SS were implementing effective supervision of the financial market. On the other hand, the respondents also indicated that the SS should not be so strict and should distribute the supervision among all financial market participants more evenly, proportionally apply the requirements to large and small market participants, use the punitive approach less and deeper analyze the circumstances of infringements, consult with market participants more when drafting legislation and provide assistance to market participants.
- When responding to the questions about the implementation of the SS mission, the respondents were most favourable for the SS contribution in promoting responsible behaviour of financial market participants – even 75 per cent of respondents evaluated this contribution of the SS rather well or very well. Evaluation of the SS mission to achieve a reliable and effective operation of financial market fell immediately behind – 72 per cent of respondents. More than half of respondents (55%) positively evaluated two other aspects of the SS mission: sustainable development of the financial market and rational decisions of the consumers.
- When assessing individual areas of the SS activity, most positive evaluations (rather good and very good) were given to prudential supervision activity (77% of respondents). Financial services and market supervision as well as on-site inspection and investigation functions both received 70 per cent of positive evaluations, while licensing activities were positively evaluated by 65% of respondents. Relatively least positive (and most negative) evaluations (around 57%) were given to the functions of legislation and regulation, resolution of disputes and complaints, and financial education of the Bank of Lithuania.
- The majority of supervised market participants evaluate the consulting and advisory activity of the SS as well as their market reviews, training, and presentations very well or well.
- Respondents believe that the SS is implementing risk-based supervision best: 75 per cent of respondents said they completely or rather agreed with this statement. Two other supervisory principles (future-oriented supervision and focus on the objectives and the results) and their compliance were seen slightly less favourable, but still positively. Relatively the poorest evaluation was given to the consistence and predictability of the SS activity.

- The absolute majority of respondents said that the SS well or very well knew the financial markets where the supervised market participants are working as well as specific financial market participants under supervision. The respondents also positively assessed specific supervision of their company by the SS.
- Speaking of individual groups of market participants under supervision, it is noteworthy that most favourable assessment of the SS activity was that of insurers, electronic money and payment institutions, and relatively less favourable – of banks and consumer credit lenders.
- All respondents positively assessed the behaviour of the SS officials when communicating with the market participants under supervision and slightly less positively – their positive attitude.
- The administrative burden created by legislation was most favourably assessed by payment and electronic money institutions. Legislation was rather favourably assessed by insurers and insurance intermediaries and least favourably – by consumer credit lenders and platform operators.
- Most satisfied with the the SS communication are payment and electronic money institutions as well as insurers and insurance intermediaries, while least satisfied are consumer credit lenders.
- Market participants are more satisfied with informal consulting provided by the SS rather than official letters answering the enquiries.

I. Survey objectives, methods and participants

The survey was aimed at capturing the opinions/subjective assessment of the financial market participants about the financial market supervision function of the Bank of Lithuania both in general and highlighting some of the key elements of the supervision process, namely:

- legislation and regulation;
- licensing;
- prudential supervision;
- supervision of financial services and markets;
- on-site inspections and investigations;
- resolution of disputes and complaints;
- financial education of consumers.

This survey also aimed to find out how the market participants see the SS activity, communication of officials, formal and informal consultations, effectiveness of the supervisory process, and, having received feedback from market participants, to improve the work.

The survey was comprised of an internet poll and confidential interviews with responsible persons of financial market participants. In total, 350 responsible persons of financial market participants supervised by the Bank of Lithuania were surveyed. The majority of them (45%) were highest-level executives (company managers, council or board members), 23 per cent were middle managers, and 32 per cent were other responsible specialists (see Table 1).

Table 1. Distribution of survey participants by their position

Position	Number	Per cent
Head of the company, council or board member	159	45.4
Head of a unit (department, division)	80	22.9
Other specialist	111	31.7
Total	350	100.0

Invitations to take part in the survey were distributed to 587 representatives of institutions. Nearly 60 per cent of respondents answered the survey questions; therefore, it can be stated that the results are representative and reflect the general opinion of financial market participants.

The survey was carried out in August–October 2016. The main survey method was completing a standardized questionnaire (see Annex). All responsible employees were given the following options of completing the questionnaire:

- 1) filling in an e-questionnaire online;
- 2) filling in a paper questionnaire;
- 3) answering the questions by phone.

The absolute majority (99%) completed the e-questionnaire and only 1 per cent answered the questions by phone.

The distribution of respondents by the type of financial market participants is presented in Table 2.

Table 2. Distribution of survey participants by financial market participants

Market participants	Number	Per cent
Banks	54	15.4
Credit Unions and the Lithuanian Central Credit Union (LCCU)	130	37.1
Insurers and insurance intermediaries	114	32.6
Payment and electronic money institutions	10	2.9
Management companies and brokerage companies	15	4.3
Consumer credit lenders, brokers, operators	16	4.6
Other financial market participants	11	3.1
Total	350	100.0

The majority of respondents were representatives of banks, credit unions, and insurance sector. With regard to the fact that the number of respondents in the sectors concerned was very similar and amounted to approx. 60 per cent (except for payment and electronic money institutions and other financial market participants), the summarized findings were not adjusted.

The respondents who participated in the survey and presented their evaluation were actively communicating with the SS. According to the answers, even 73 per cent of respondents had meetings or other contacts with the supervisory authority at least once per quarter, and 28 per cent had such contacts at least once per month or more often.

Table 3. Frequency of survey respondents' communication with the SS

Frequency of communication	Number	Per cent
At least monthly and more often	98	28.0
Around once in 3 months	156	44.6
Around once in 4–6 months	29	8.3
Around once in 7-12 months	38	10.9
Less often	29	8.3
Total	350	100.0

In addition, it should be noted that a significant proportion of respondents (almost a quarter) were inspected on-site or otherwise investigated prior to the survey and one in eight respondents were subject to some type of sanctions (see Table 4).

Table 4. Distribution of respondents by subject to on-site inspections or sanctions

Sanction, indicator	Response	Number	Per cent
Imposed sanctions	Yes	43	12.3
	No	289	82.6
	No opinion	18	5.1
Total		350	100.0
Carried out an on-site inspection	Yes	81	23.1
	No	252	72.0
	No opinion	17	4.9
Total		350	100.0

II. Overall evaluation of the Supervision Service activity

When answering the questions, the respondents were able to convey their insights and suggestions for the SS activity in general and in specific areas as well as express their opinion about fulfilment of the SS mission: supervising the financial market with a view to ensuring its reliable and effective functioning, sustainable development, responsible actions of market participants, and rational financial decisions of the consumers.

Chart 1. General satisfaction with SS activity

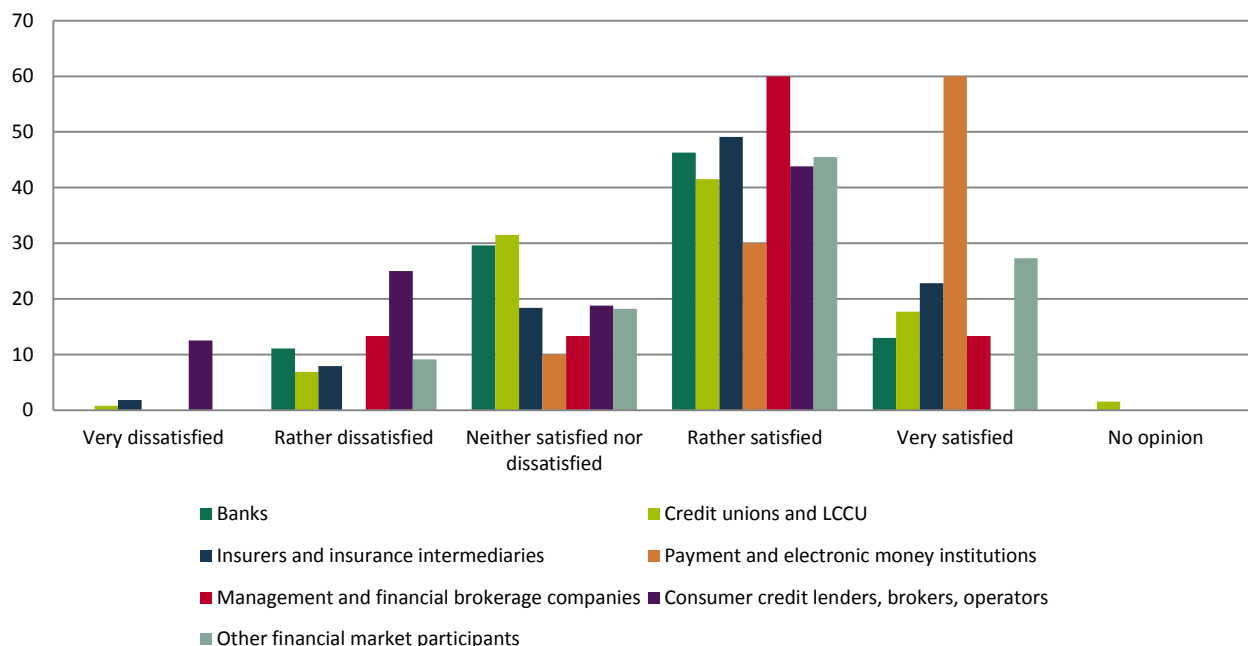


As seen in Chart 1, the majority of respondents who participated in the survey are rather satisfied or very satisfied with the SS activity and the overall number of positive opinions amounts to 64 per cent. Only 1.4 per cent (5 respondents out of 350) of respondents indicated that they were dissatisfied and 8.9 per cent – rather dissatisfied with the SS activity. Most satisfied with the SS activity were payment and electronic money institutions (the proportion of their positive ratings was over 90%), slightly less – insurers and insurance intermediaries, management and brokerage companies. Satisfaction of banks and credit unions with the SS activity corresponds to the general distribution. Most critical of the SS activity were consumer credit lenders, brokers, and lending platform operators (see Chart 2).

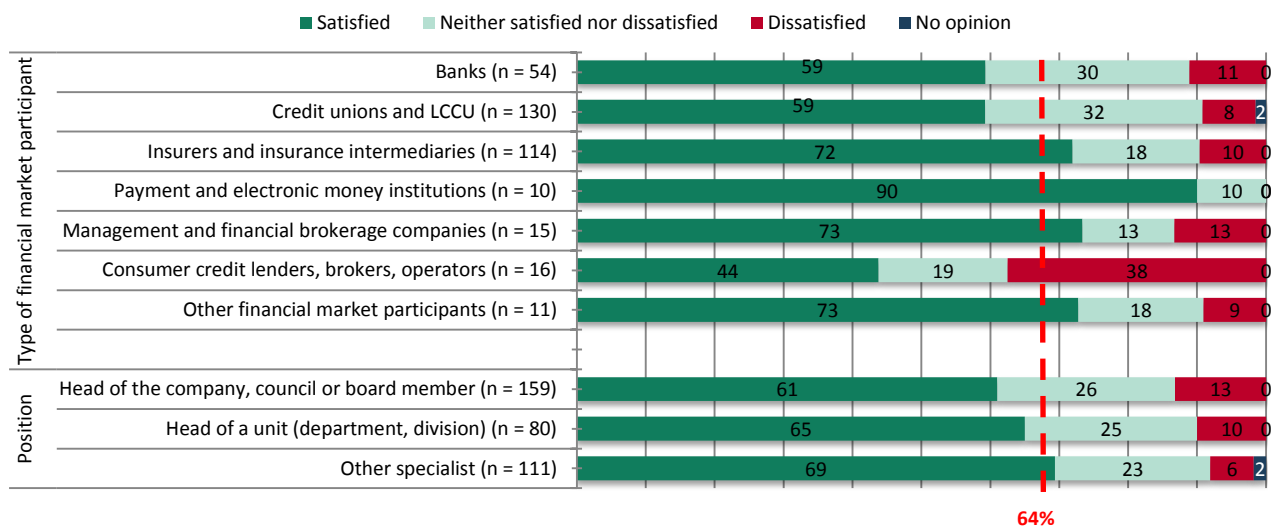
Chart 2. General satisfaction with the SS activity

General distribution

Per cent



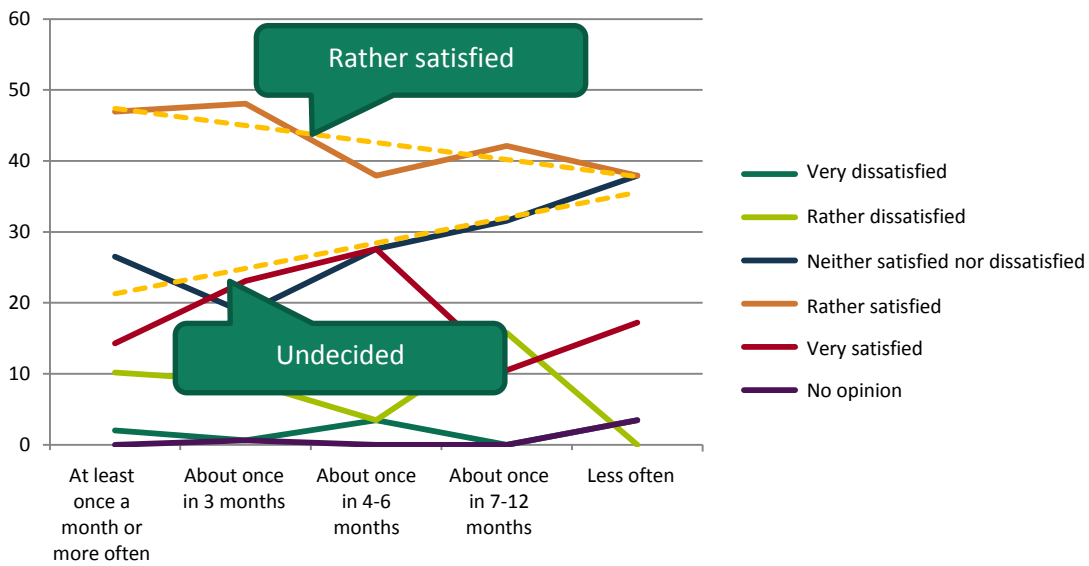
Distribution by market participants



It should be noted that although there is no big difference between the distribution of evaluation of respondents by their position, top executives were slightly more reserved in assessing the SS activity than middle managers and other specialists.

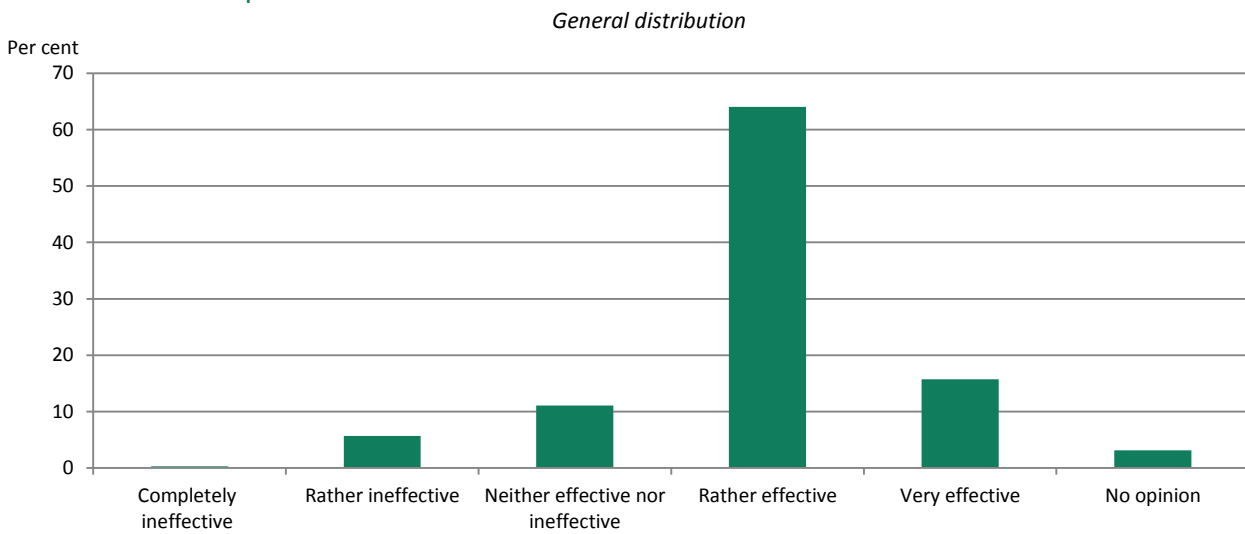
In analysing the general trends it should be noted that the respondents who were in contact with the supervisory authority more often were more satisfied with the SS activity; the less intense the communication, the larger share of indecisive respondents was (see Chart 3).

Chart 3. Correlation between frequency of communication with the SS and satisfaction with the SS activity
Per cent

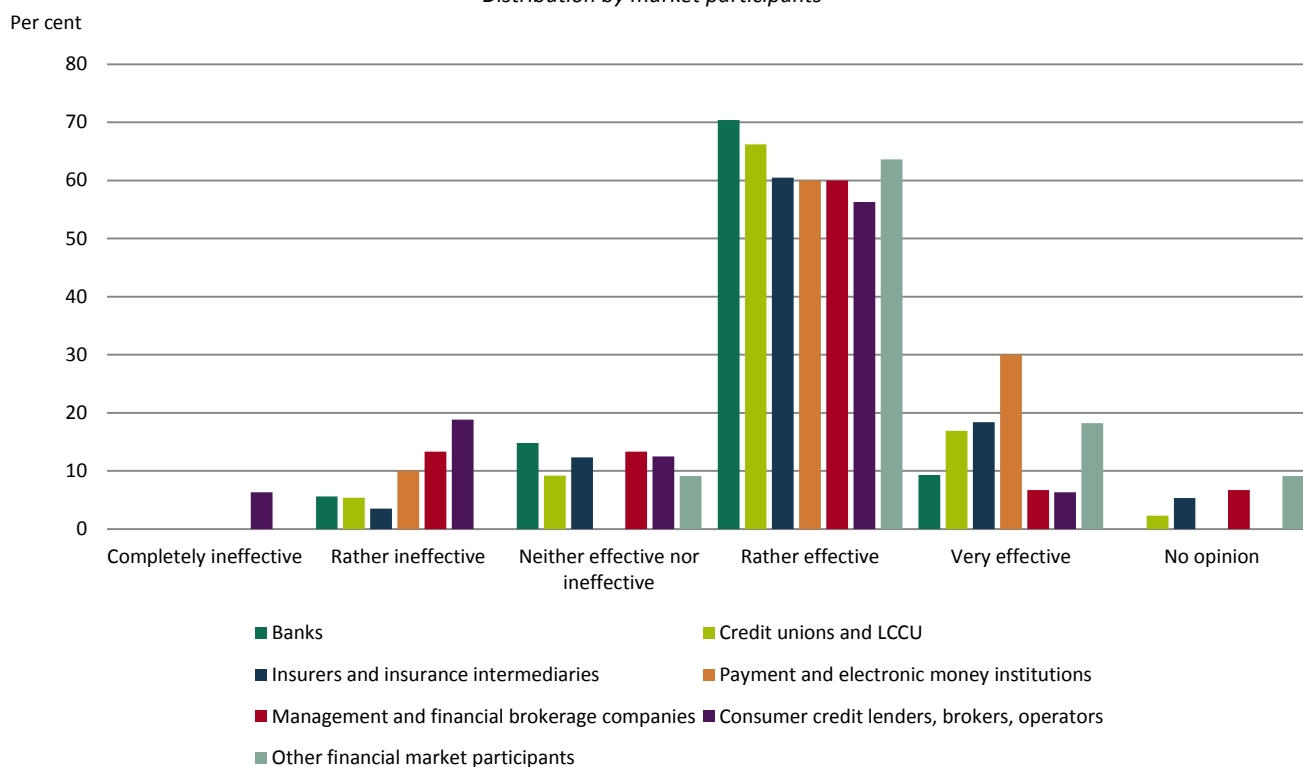


Among the main areas for improvement in the SS the respondents indicated faster response to infringements of market participants, more specific and faster answers to enquiries, better implementation of one-stop shop, instead of looking for answers from different SS specialists, enabling the delivery of as many documents as possible in electronic format, and seeking for balance in consumer protection and supervision of financial market participants.

Chart 4. Effectiveness of supervision



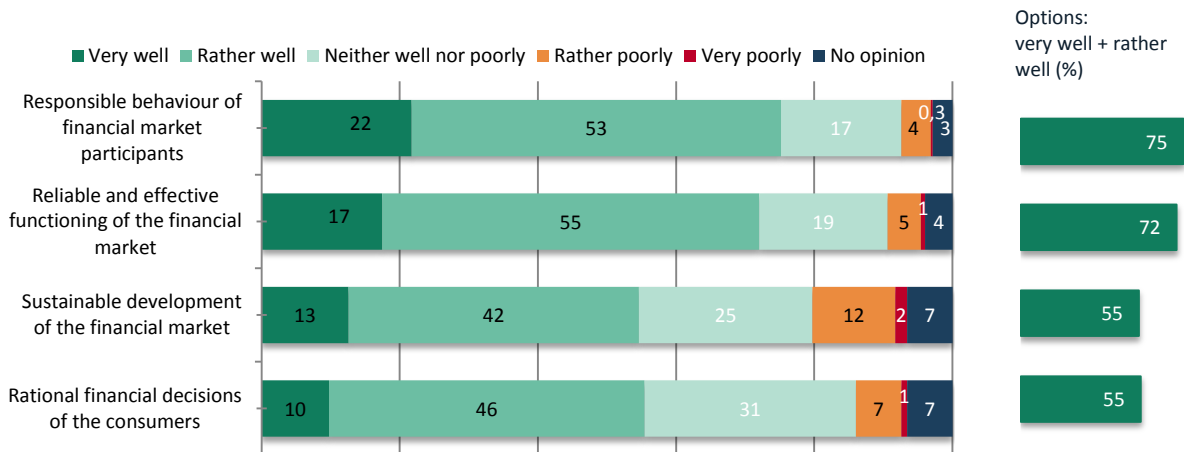
Distribution by market participants



The absolute majority of respondents indicated that the Bank of Lithuania and the SS were implementing effective supervision of financial market (see Chart 4). On the other hand, the respondents also indicated that the SS should not be so strict and should allocate the supervision among all financial market participants more evenly, proportionally apply the requirements to large and small market participants, use the punitive approach less and see into the circumstances of infringements more, and provide more consulting and assistance to market participants.

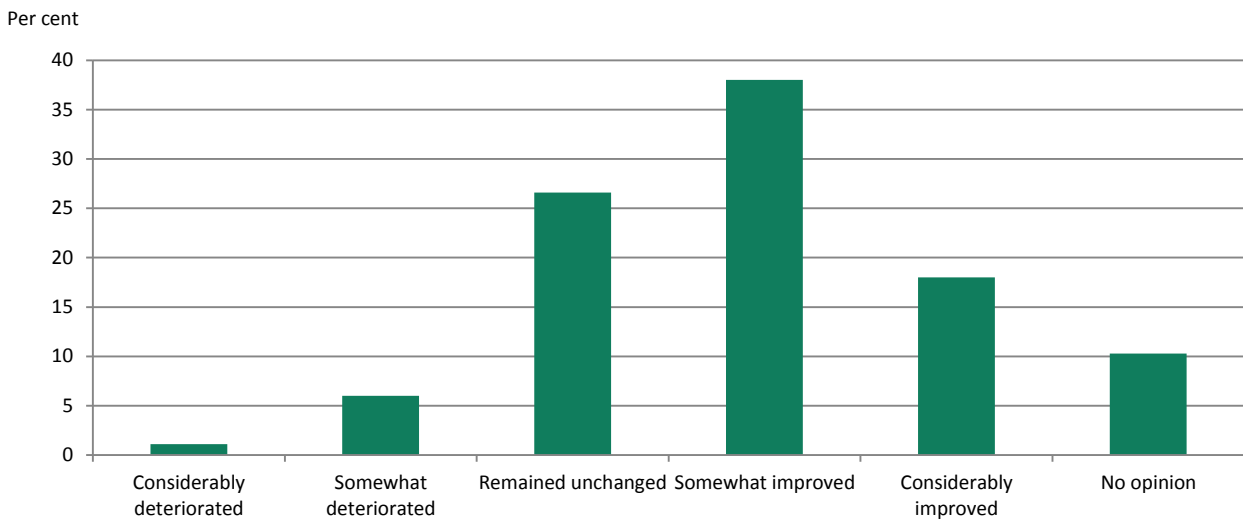
When responding to the questions about the implementation of the SS mission, the respondents were most favourable for the SS contribution in promoting responsible behaviour of financial market participants – even 75 per cent of respondents evaluated this contribution of the SS rather well or very well (see Chart 5). Evaluation of the SS mission to achieve a reliable and effective operation of financial market fell immediately behind – 72 per cent of respondents. More than half of respondents (55%) positively evaluated two more aspects of the SS mission: sustainable development of the financial market and rational decisions of the consumers.

Chart 5. The SS contribution in implementing its mission and contributing to common social objectives

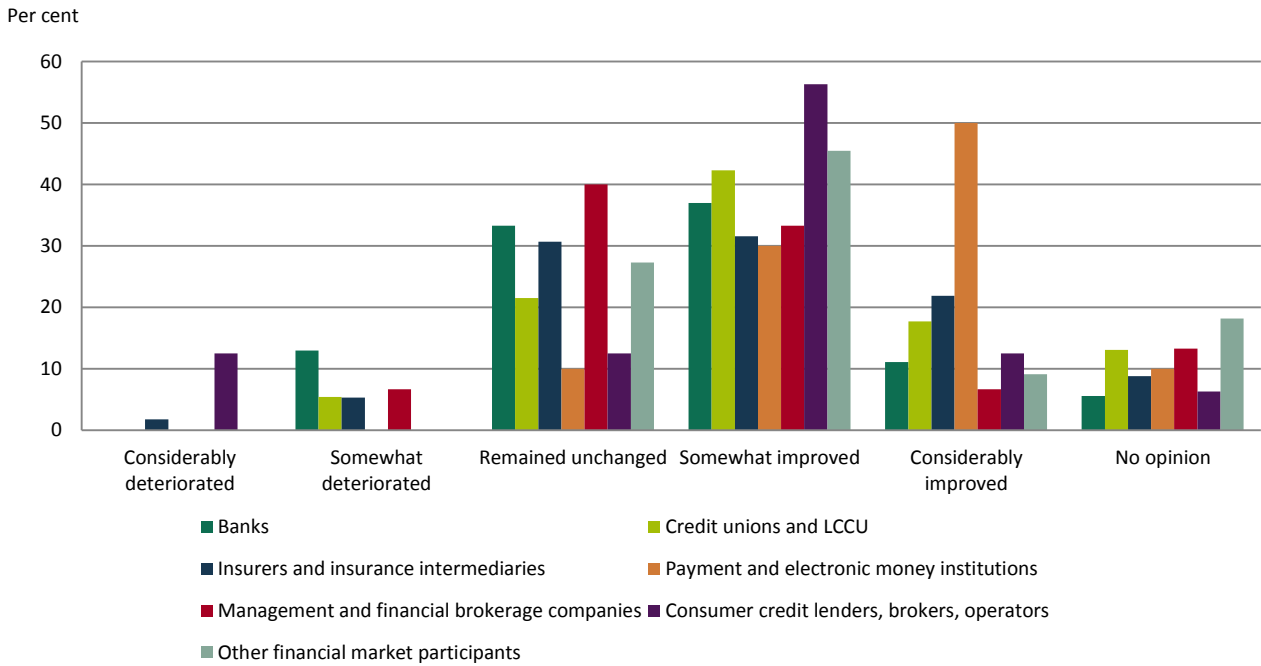


Slightly over half of respondents believe that the SS activity in implementing its mission has slightly or substantially improved over the last two years (see Chart 6).

Chart 6. Change of the SS activity in implementing its mission over the last two years
General distribution

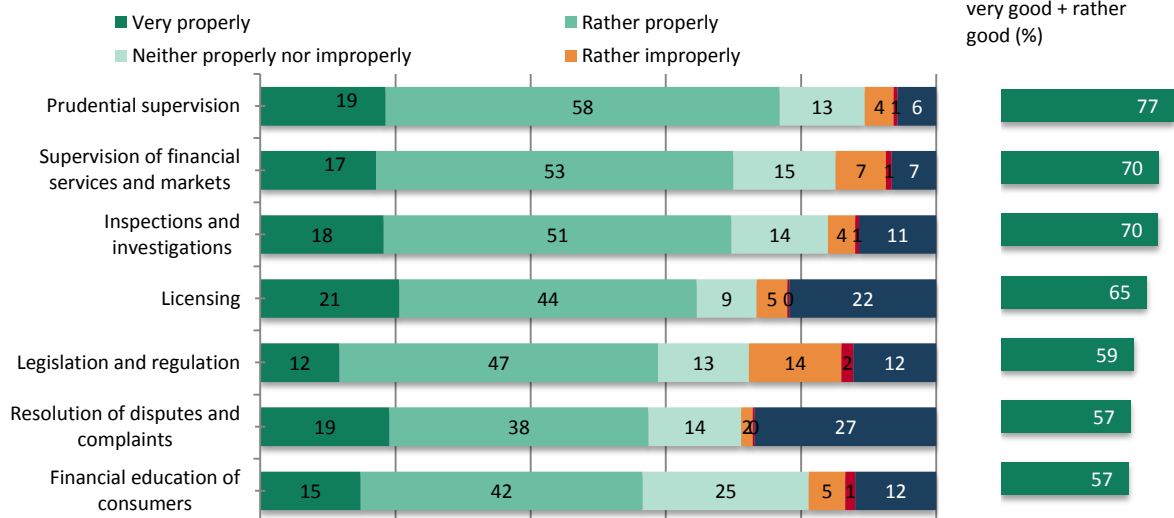


Distribution by market participants



Even 50 per cent of payment and electronic money institutions believe that implementation of the supervision mission has improved considerably; slight improvement of this activity was recognized by over 38 per cent of all respondents, relatively most by consumer credit lenders, credit unions, and other financial market participants. Only 7 per cent of respondents believed that the implementation of the mission had deteriorated. Among the areas for improvement the respondents indicated that more exhaustive consultations with the market regarding draft legislation were necessary and the above mentioned balance of consumer protection and supervision of market participants had to be maintained.

Chart 7. Implementation of the main SS functions

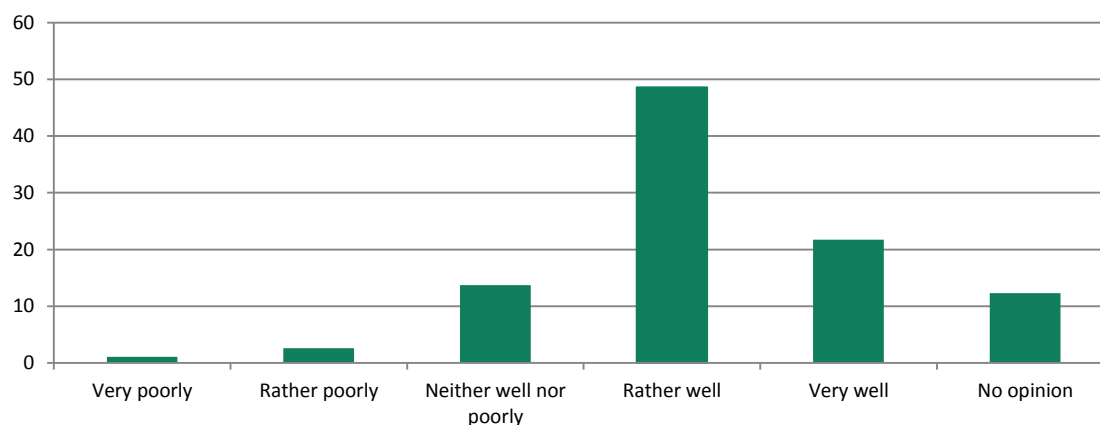


When assessing individual areas of the SS activity (see Chart 7), most positive evaluations (rather good and very good) were given to prudential supervision activity (77% of respondents). Financial services and market supervision as well as on-site inspection and investigation functions both received 70 per cent of positive evaluations. 65 per cent of respondents

positively evaluated the licensing activity. Relatively least positive (and most negative) evaluations (around 57%) were given to the functions of legislation and regulation, resolution of disputes and complaints, and financial education. The proposals of market participants for improvement of implementing the legislative function and consumer protection function were presented above.

Chart 8. Evaluation of SS consulting, educational and other activities

Per cent



Note: Beside the direct formal functions (regulatory, supervisory, licensing), the Supervision Service of the Bank of Lithuania is also engaged in indirect activity: consulting of market participants, advising them and helping to make operational decisions, preparing and presenting market reviews and news, and organizing training.

As seen in Chart 8, the majority of supervised market participants evaluate the consulting and advisory activity of the SS as well as their market reviews, training, and presentations very well or well.

To summarize the evaluation of the SS activity, it should be noted that most respondents evaluated the process of communication with the SS specialists as smooth, but indicated a lack of clarity and usability of legislation prepared by the SS and practical examples of good practice, taking into account the peculiarities of types of activity of various market participants. Market participants would prefer the communication with the SS specialists to be faster and closer: they sometimes have to wait quite long for answers and responses are not always clear (some aspects are left for the asking person to understand and sometimes the specialists avoid stating a clear position of the SS) and therefore, it is suggested to strengthen the SS by additional resources. More effective implementation of one-stop shop would be helpful. According to market participants, they must now contact different specialists on different matters and sometimes the responsibilities of the specialists are not clear to them. They believe that they are asked submit too much documentation and other information to the SS in paper form, although the possibility of sending letters by electronic channels has recently been made available.

COMMENT FROM THE SUPERVISION SERVICE

Striving for clarity, i.e., to make the objectives and functions of the Bank of Lithuania in supervising the financial market clearer to financial market participants and the public, the Bank of Lithuania approved the financial market supervision policy of the Bank of Lithuania. The policy first establishes the objectives of the Bank of Lithuania in supervising the financial market and discusses the essential aspects of separation of functions of the Board and the Supervision Service of the Bank of Lithuania as well as resolution of conflicts of interest. In the policy, the focus is on the actually applicable financial market supervision principles, which are not yet established in the legislation adopted by the Board of the Bank of Lithuania. The policy aims to disclose their content.

In the next few years, we will continue reducing the administrative burden and will revise the legislation regulating it. To this end, every year we will send enquiries to

market participants and their associations asking to give their suggestions for improvement and will consult the main stakeholders about further improvement of the investment environment.

Starting with February, the position of a Project Manager has been in place in the Supervision Service. The main function of the Project Manager is coordinating the implementation of the tasks of the Supervision Services set forth in the strategic plan, ensuring the one-stop shop principle by communicating with potential financial market participants of Lithuania and supervising smooth exchange of information with other structural units of the Bank of Lithuania about the intentions of new and existing market participants intending to apply new and innovative business models. The employee in this position will be responsible for the management of proposals to reduce the administrative burden given by financial market participants and coordination of implementation of such proposals.

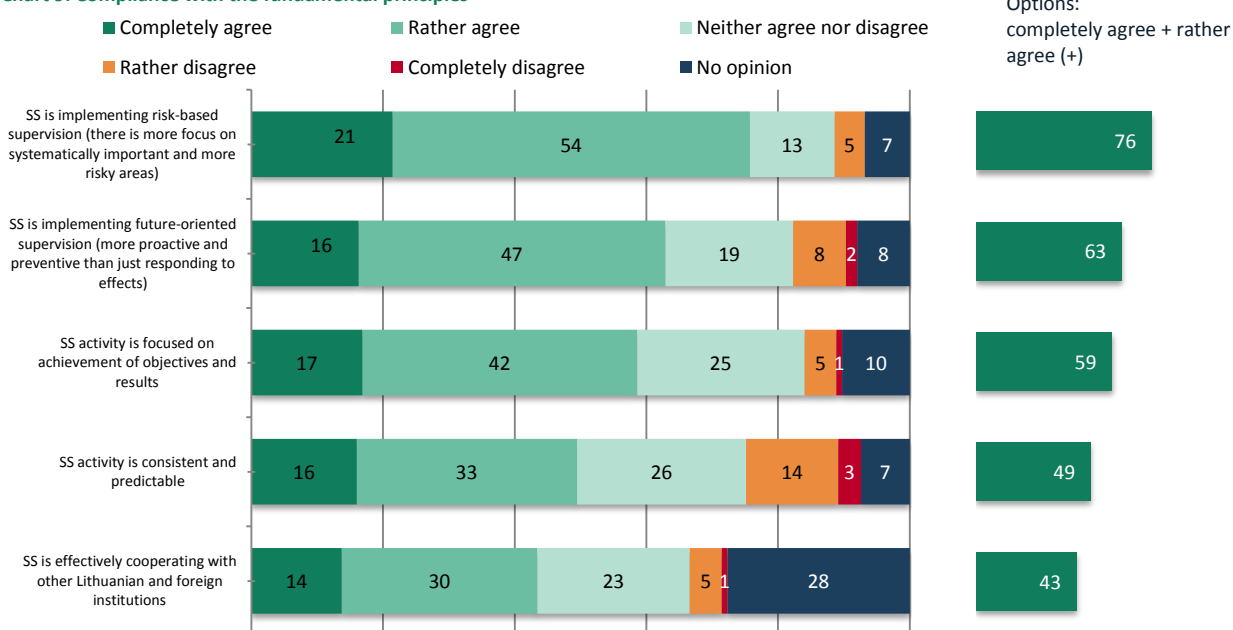
Seeking balance between consumer protection and supervision of financial market participants, we will continue active cooperation with the Consumers and Banks Council. After a few years, we intend to repeat this survey and find out the opinion of market participants about the changes in the supervision and we will evaluate the trends of market participants' responses in assessing the Supervision Service activity.

III. Evaluation of the Supervision Service day-to-day operation

The respondents evaluated the following aspects of day-to-day operation of the SS: compliance with the main principles of supervision, the SS specialists' knowledge of activity of supervised companies, appropriateness of imposition of sanctions, etc.

The survey allowed to identify the areas where financial market participants (the main stakeholders) saw the limitations or inadequacy of the SS activity. This data allows either improving the operations in respective fields by changing the method or means of supervision or focusing more on smoother communication in order to explain the principles of supervisory activity.

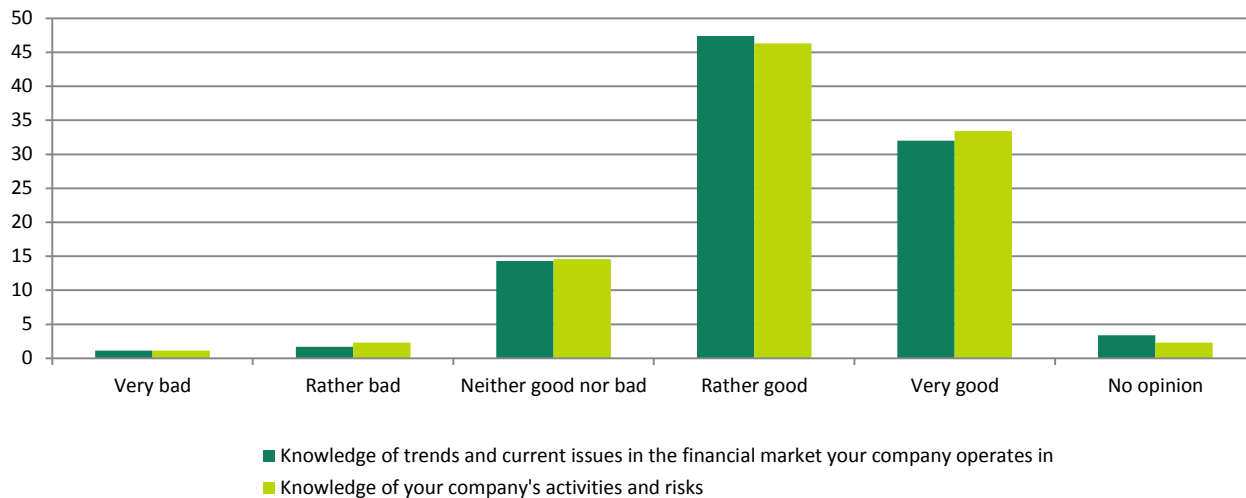
Chart 9. Compliance with the fundamental principles



As shown in Chart 9, the respondents believe that the SS is implementing risk-based supervision best: 75 per cent of respondents said they completely or rather agreed with this statement. Two other principles (future-oriented supervision and focus on the objectives and the results) and their compliance in the SS activity were seen slightly less favourably, but positively still. Relatively the poorest evaluation was given to the consistence and predictability of the SS activity and cooperation with other Lithuanian and foreign institutions.

Chart 10. Knowledge of activity of supervised companies

Per cent

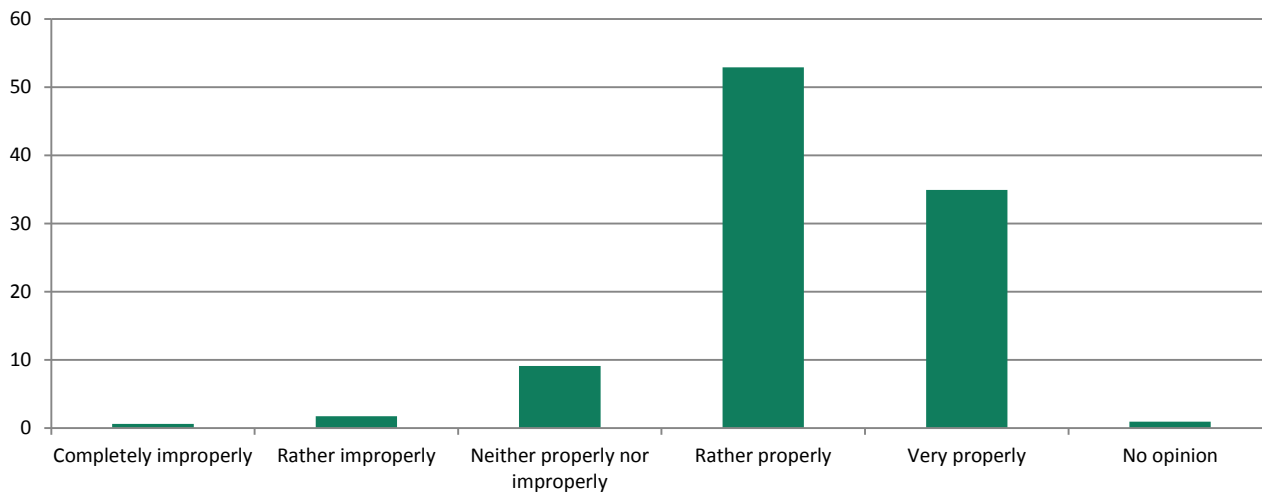


The absolute majority of respondents said that the SS well or very well knew the financial markets where the supervised market participants are working as well as specific activity and risks of financial market participants under supervision (see Chart 10). Respondents also appreciated how the SS supervises their particular company (see Chart 11).

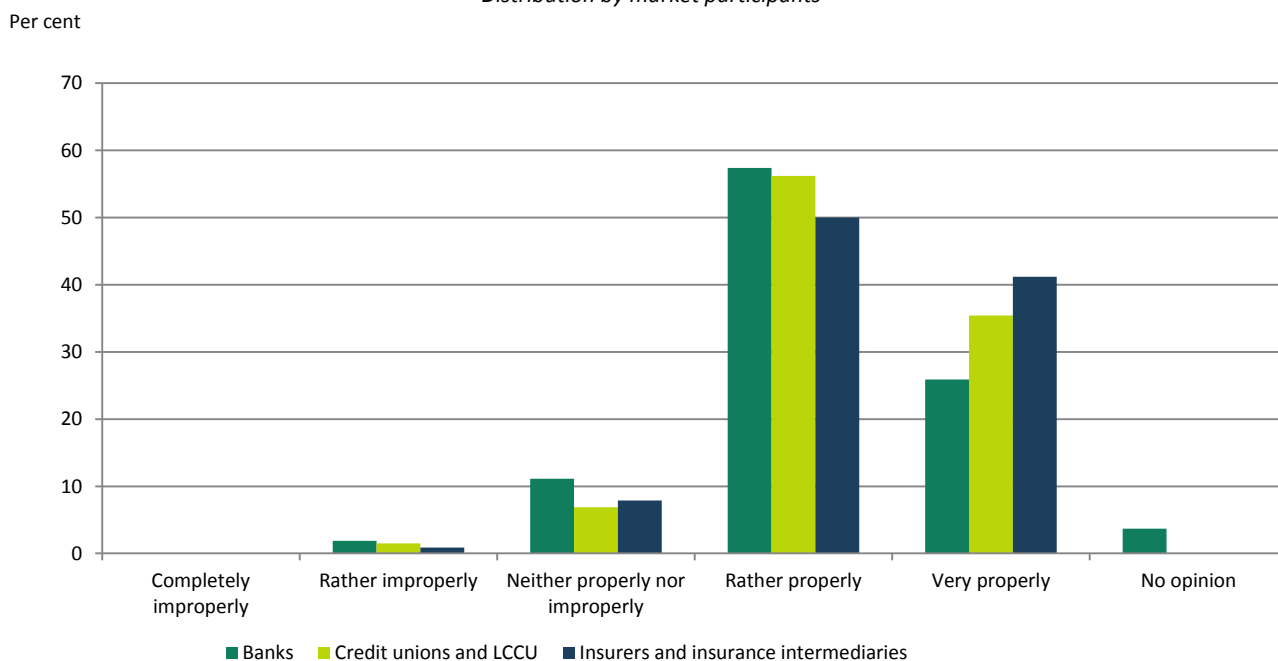
Chart 11. Suitability of supervision of a particular market participant

General distribution

Per cent

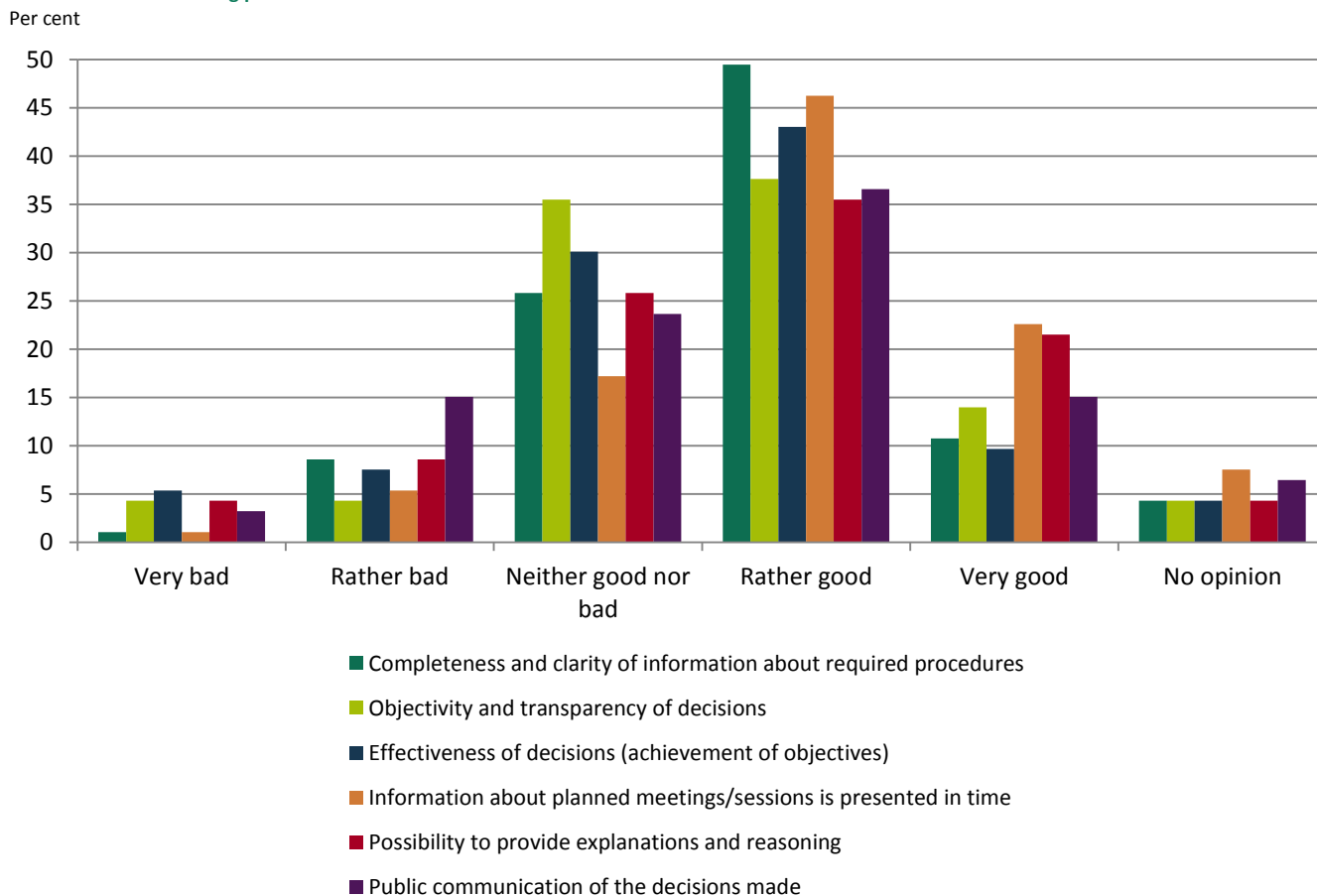


Distribution by market participants



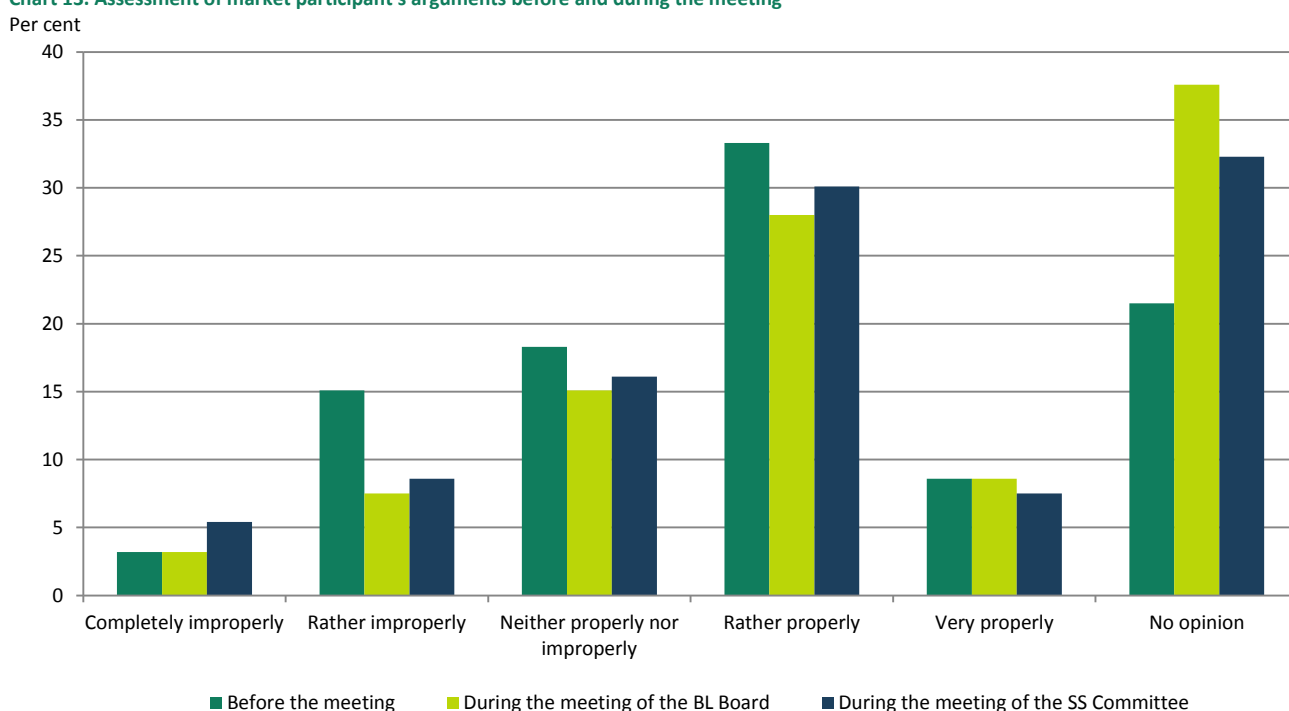
Assessing the general distribution of respondents, the evaluations are very positive. Speaking of individual groups of market participants under supervision, it is noteworthy that most favourable assessment of the SS activity was that of insurers and relatively less favourable – of banks.

Chart 12. Decision-making process



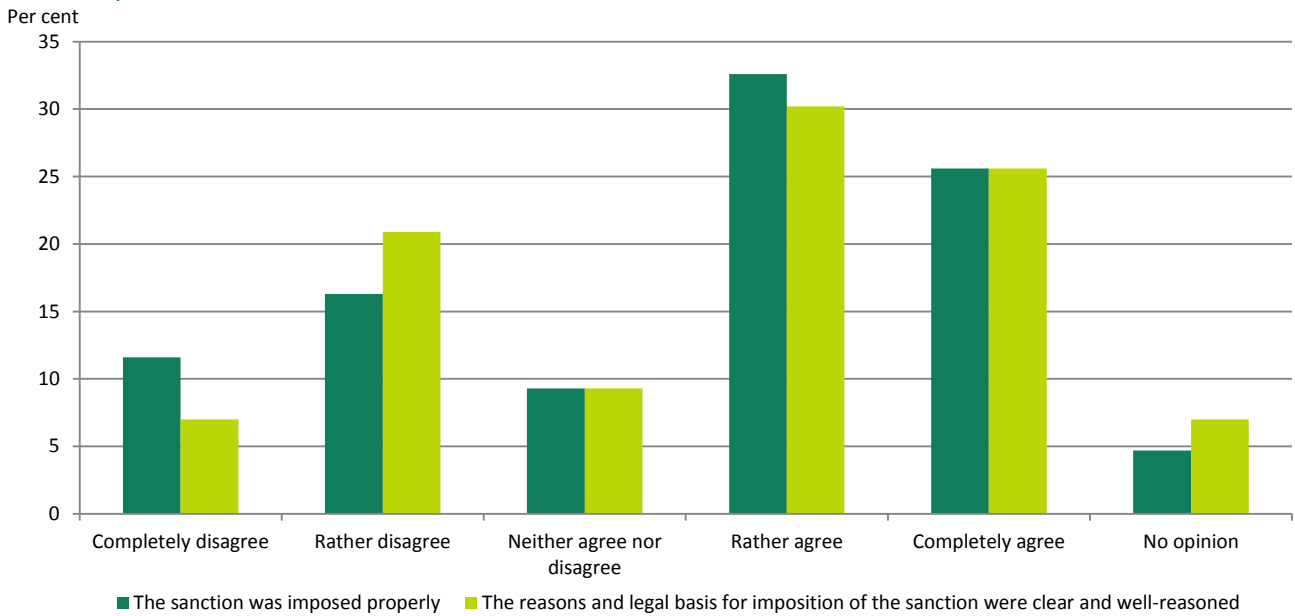
Speaking of aspects and stages of the SS decision-making (see Chart 12), it is worth noting that timely presentation of information about the planned meetings was evaluated most favourably. Evaluation of all other stages of decision-making is different: the clarity and comprehensiveness of information about necessary procedures were evaluated rather well by respondents; the number of very poor and very good evaluations was the lowest. The objectivity and transparency of decisions is assessed neutrally or positively by a similar number of respondents, while most respondents assessed it positively. However, a large proportion of respondents assessed the objectivity and transparency of decision-making poorly or very poorly. Similar, yet slightly poorer (the distribution is shifted more to the left), is the evaluation of effectiveness of and achievement of goals by the decisions. The possibilities to present own explanations and public communication of the decisions made were evaluated at the similar level. Most neutral or negative evaluations were given to public communication of the decisions, which leads to considering certain actions in this area.

Chart 13. Assessment of market participant's arguments before and during the meeting



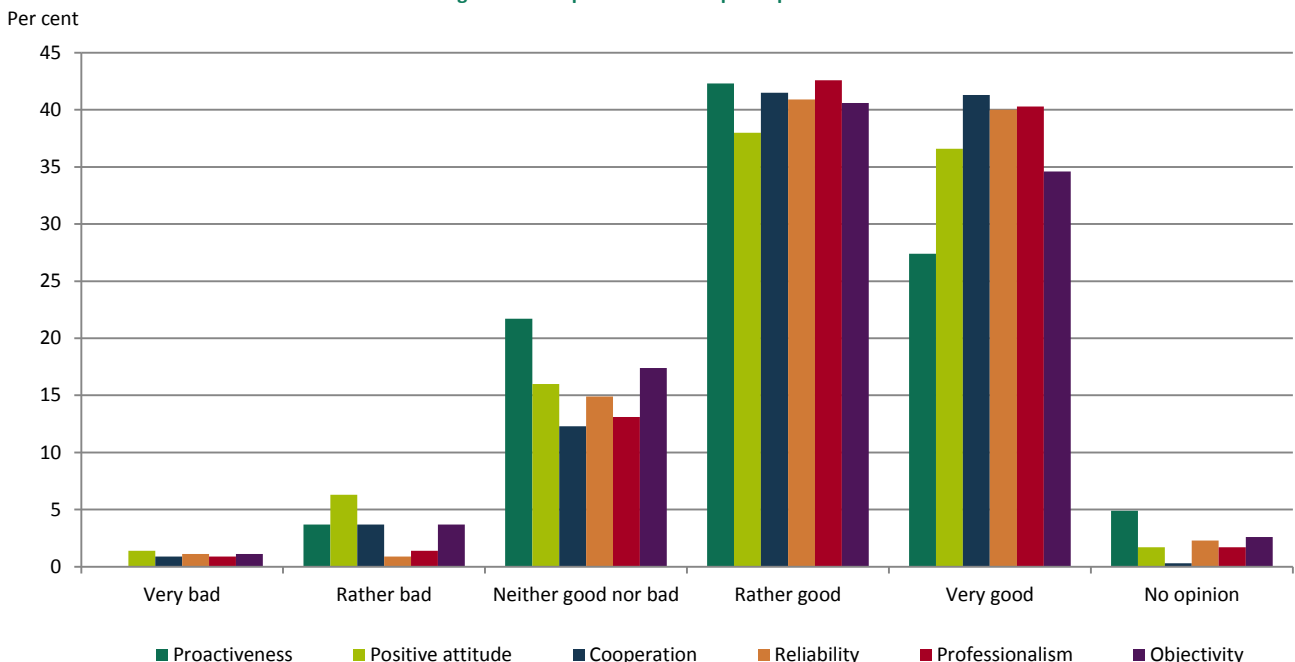
The assessment of market participant's arguments before and during the meeting was equally well evaluated by the respondents (see Chart 13): over 40 per cent of respondents saw it as proper or very proper, while another 15 per cent remained neutral. On the other hand, most (almost 20%) of negative evaluations were given to the assessment of arguments before the meeting, and almost 15% – during the meeting of the Supervision Service Committee. Relatively least negative evaluations were those of the possibility of presenting arguments and explanations during the meeting of the Board of the Bank of Lithuania.

Chart 14. Imposition of sanctions



Relatively less positive and more negative (28%) were the respondents' answers to the questions about the appropriateness of sanctions, their motives and legal bases (see Chart 14). All respondents positively assessed the behaviour of the SS officials when communicating with the market participants under supervision and slightly less positively – their positive attitude (see Chart 15).

Chart 15. Behaviour of SS officials in communicating with the supervised market participants



The respondents suggested the following improvements for daily activity of the SS:

- More active response to notifications from market participants about violation of legislation by other market participants. The SS should first be providing real and benevolent

assistance and advice and only become a punitive authority for those who are deliberately breaking the law.

- More informal communication, advice, early warnings about what is expected in the future.
- Remembering that beside from fulfilment of legislation and punishment, it should take care of market development and have the basis to be innovative and competitive.
- Improving the area of consulting, more objective response to enquiries, and more detailed looking into the matters. In addition, it should not only be a supervisory authority, which is imposing fines and other sanctions, but also an adviser, especially when market participants are asking for opinions and show initiative to cooperate.
- More openness and predictable actions, finding balance between punitive and advisory activities.
- In some cases, an individual approach and consideration of a particular situation and circumstances would be preferred, which would allow taking the context into account and making an individual decision instead of a unified one.
- More detailed analysis of specific market details, interest in innovation in other markets, participating in the EU activity, and applying modern research methods. Organizing discussion on new and important matters.
- Not only informing about the decisions made, but also communicating and cooperating more with market participants prior to adoption of legal acts and, to the extent possible, reducing the administrative burden on market participants due to implementation of legislation and submission of information.
- To the extent possible, not to burden market participants with mechanical collection of information and to reduce the number of reports. To eliminate all paper documents and reports by automating the collection of reports.
- Clear and reasoned opinion, decisions in line with the Europe's best practices, promptness, efficiency, willingness and ability to solve problems, and aspirations to create an effective and competitive market in Lithuania are desired. It is important to take into account not only formal EU and other requirements, but also the Lithuanian market in general, its customers, market development, and dissemination of certain products. In addition, the aim should not be to limit everything, which is practically possible, but to make activity more transparent, encourage competition and development of a wider range of products.

COMMENT FROM THE SUPERVISION SERVICE

This year, we will revise the format of meetings with bank and insurance company managers (during meetings, the representatives of the Supervision Service will also give their views and assessment of the supervised market participants instead of just listening to the presentation of the market participant) and will organize periodic joint meetings with other market participants, where we will introduce our expectations for supervision and consider the questions of market participants. Moreover, we are planning to develop a new supervisory measure –visits. During the visits, the SS specialists will evaluate the compliance of certain aspects of the financial market participant’s activity with the legislation without imposing any sanctions for the discrepancies found.

Taking into account your suggestions for faster response to violations in the market, we have already approved the Description of Procedure for Notification about Violations of the Legal Acts Regulating the Financial Market and their Management in the Bank of Lithuania and to this end, we introduced a system, which will ensure the provision of information to the persons reporting the violations and the protection of their identity, which could encourage the employees of financial market participants and other persons to be more active in informing the Bank of Lithuania about the violations of legal acts regulating the financial market. The Description provides for anonymous reporting of violations of legal acts regulating the financial market to the Bank of Lithuania. We believe that these measures should make it possible for the Bank of Lithuania to identify and investigate the violations, which are difficult to identify under regular supervision conditions, for example, market abuse.

IV. Evaluation of the legislative process

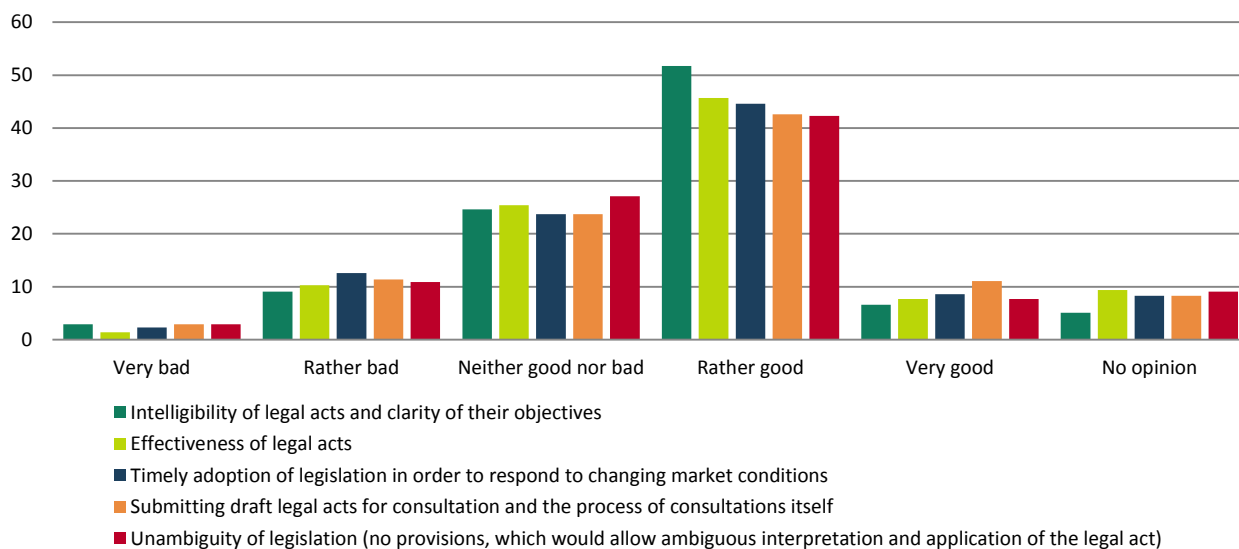
The respondents were asked to assess the following aspects of legislation:

- intelligibility of legal acts and clarity of their objectives;
- effectiveness of legal acts;
- timely adoption of legislation in order to respond to changing market conditions;
- submitting draft legal acts for consultation and the process of consultations itself;
- unambiguity of legislation (no provisions, which would allow ambiguous interpretation and application of the legal act).

In addition, financial market participants were asked what should be changed to make the process of consulting on draft legislation more effective; whether the local/national legislation drawn up by the Bank of Lithuania regulating the financial market supervision do not create excessive administrative burden to their company; what should be changed or improved in the process of drawing up local/national legislation.

Chart 16. Legislative process

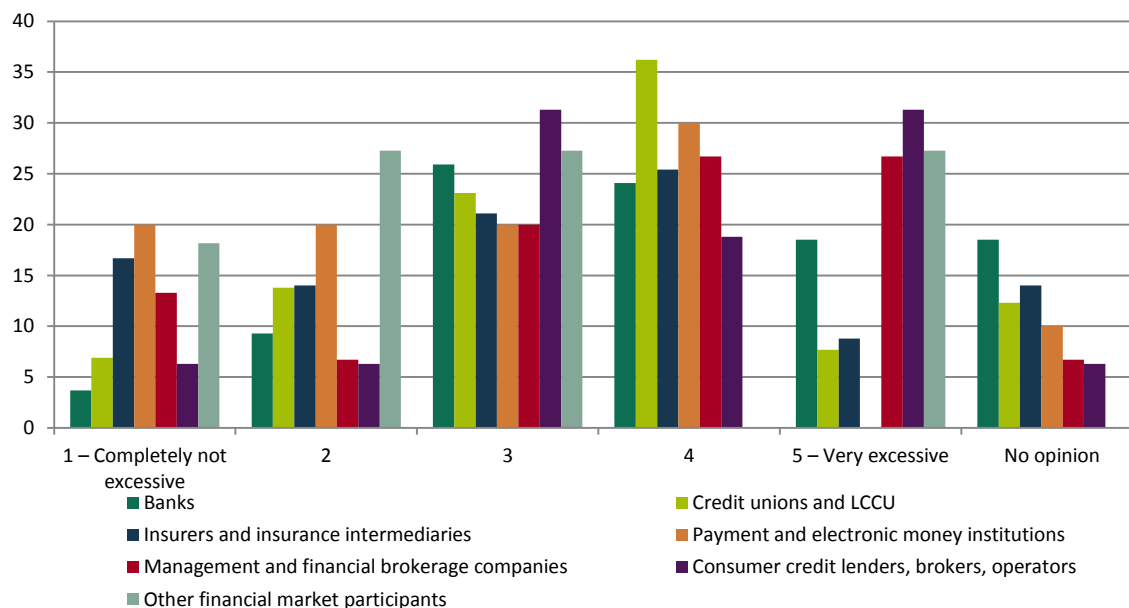
Per cent



Although the legislative process itself and its individual stages (see Chart 16) were not assessed different from other aspects of supervision in the questionnaire, the opinions of respondents about the excessive administrative burden created by legal acts varied more (see Chart 17).

Chart 17. Excessive administrative burden created by the legislative process

Per cent



The administrative burden created by legislation was most favourably assessed by payment and electronic money institutions. The insurers and insurance intermediaries also evaluated the legislation rather favourably. Least favourable evaluation was that of the consumer credit lenders and platform operators. It may be explained by the new regulation of consumer credits and indirectly stricter attitude of the Bank of Lithuania to infringements in granting consumer credit. The evaluation of management and financial brokerage companies was rather unfavourable.

To sum up, it should be noted that while assessing the legislative process, the respondents indicated the following areas for improvement:

- Providing the objectives and causes of amendments, their cost-benefit analysis and market impact analysis along with draft legislation presented.
- Organizing more comprehensive consultations with both market participants individually and their associated structures and third parties.
- Taking into account the opinion of market participants or providing arguments for disregarding it.
- Allocating more time for discussions, organizing more meetings, seminars, striving for greater transparency and publicity.
- Looking for alternative means of legal regulation: legal acts may sometimes not be equally well suited to all market participants and the problems of several market participants should not be solved by imposing new regulatory measures on the entire market.
- Giving up the collection of excessive information and extreme treatment/interpreting of the EU regulations when transposing them into national legislation. Prior to establishing new requirements, their consequences for economic stability and business development should be evaluated.

COMMENT FROM THE SUPERVISION SERVICE

Greater transparency, elimination of administrative barriers, an open dialogue between the supervisory authority and market participants will help create innovative and attractive regulatory and supervisory environment in the financial sector, which will facilitate the development of business. To this end, over the next few years we are going to revise the national regulation, assessing whether it is not creating excessive administrative burden and whether the national exemptions from EU regulation are still relevant. In parallel, the whole licensing process will be revised and the relevance of the

requested documents will be assessed in order to simplify and speed up this process as much as possible.

In addition, we intend to make public the comments received from the financial market participants and our arguments regarding draft legislation. Moreover, in order to attain greater clarity to market participants, we intend to publish a list of planned draft legislations for the following year, which will in turn encourage us to better adhere to the published plan.

V. Evaluation of communication

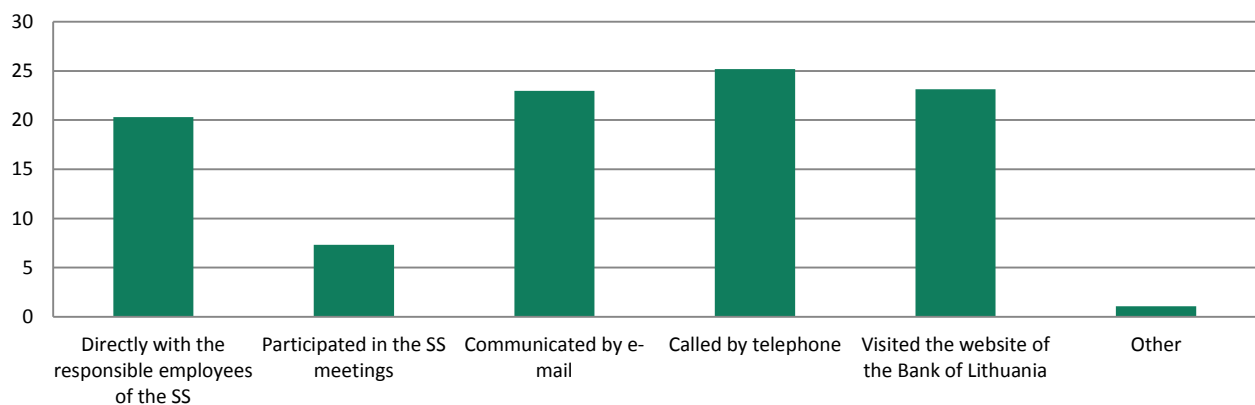
The respondents evaluated the communication process of the Bank of Lithuania and the SS and gave suggestions for improvement of this process by assessing particular areas of supervision (legislation, decision-making, etc.). The survey was intended to assess the following aspects of communication with market participants:

- are market participants satisfied with the communication with the SS;
- how well are formal and informal consultations assessed; are they not controversial;
- whether the requests of the SS to market participants do not create excessive administrative burden.

Chart 18 shows that the supervised financial market participants are communicated with the SS by all communication channels.

Chart 18. Forms of communication with the SS

Per cent

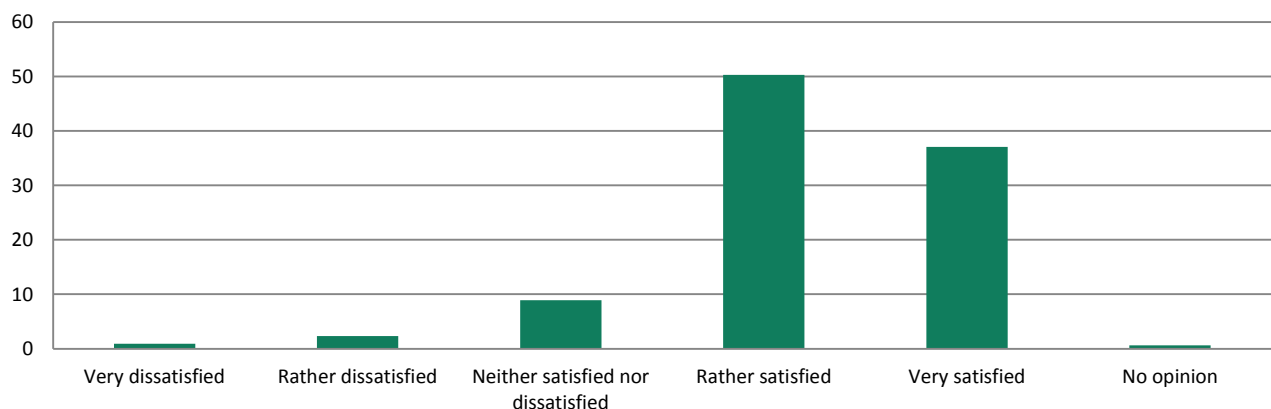


The general evaluation shows that the respondents are very satisfied with the quality of communication with the SS (see Chart 19).

Chart 19. Satisfaction with communication with the SS

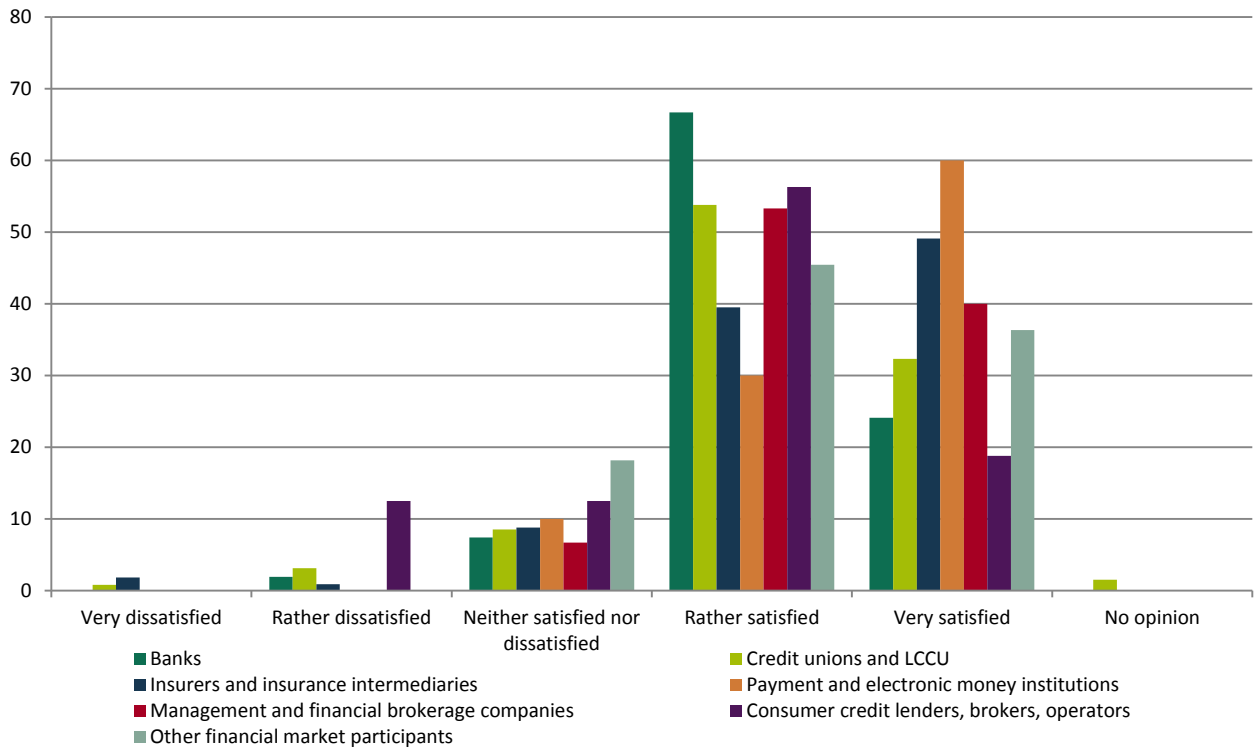
General distribution

Per cent



Distribution by market participants

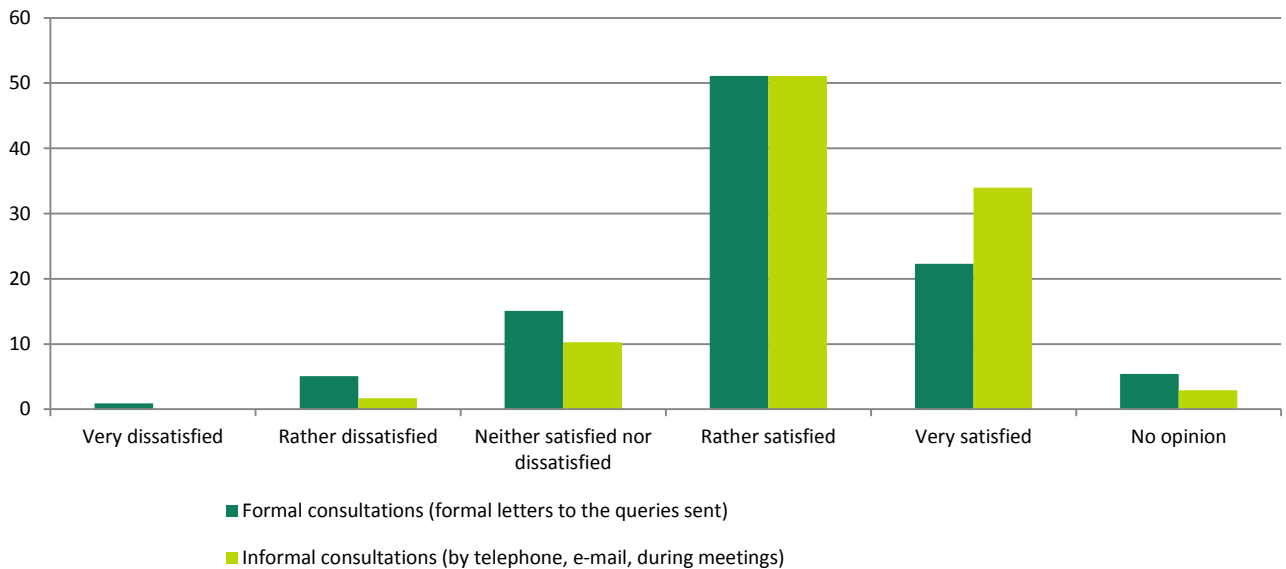
Per cent



Most satisfied with the communication of the SS are payment and electronic money institutions as well as insurers and insurance intermediaries, while least satisfied are consumer credit lenders.

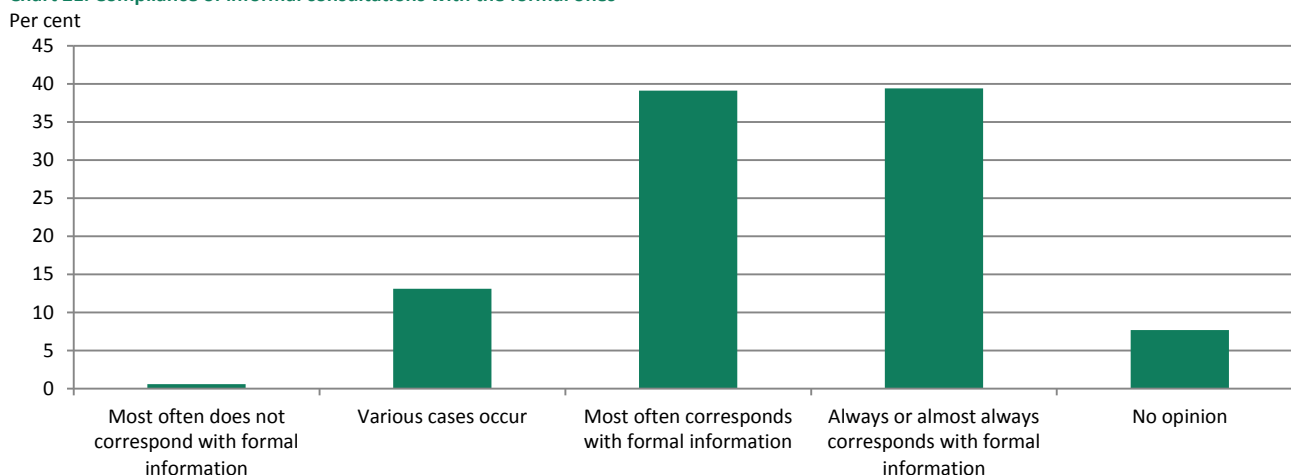
Chart 20. Satisfaction with formal and informal consultations

Per cent



As seen from Chart 20, market participants are slightly more satisfied with informal consulting provided by the SS than official letters answering the enquiries.

Chart 21. Compliance of informal consultations with the formal ones



Note: does the information received during informal consultations (verbally, by e-mail) corresponds with the formal opinion provided by the SS later on (by formal letters).

In the opinion of the respondents, in almost 80 per cent of the cases, informal consultations are compliant with formal responses provided later on (see Chart 21). Only 13 per cent of respondents indicated that different situations were occurring.

Chart 22. Quality of requests sent to market participants

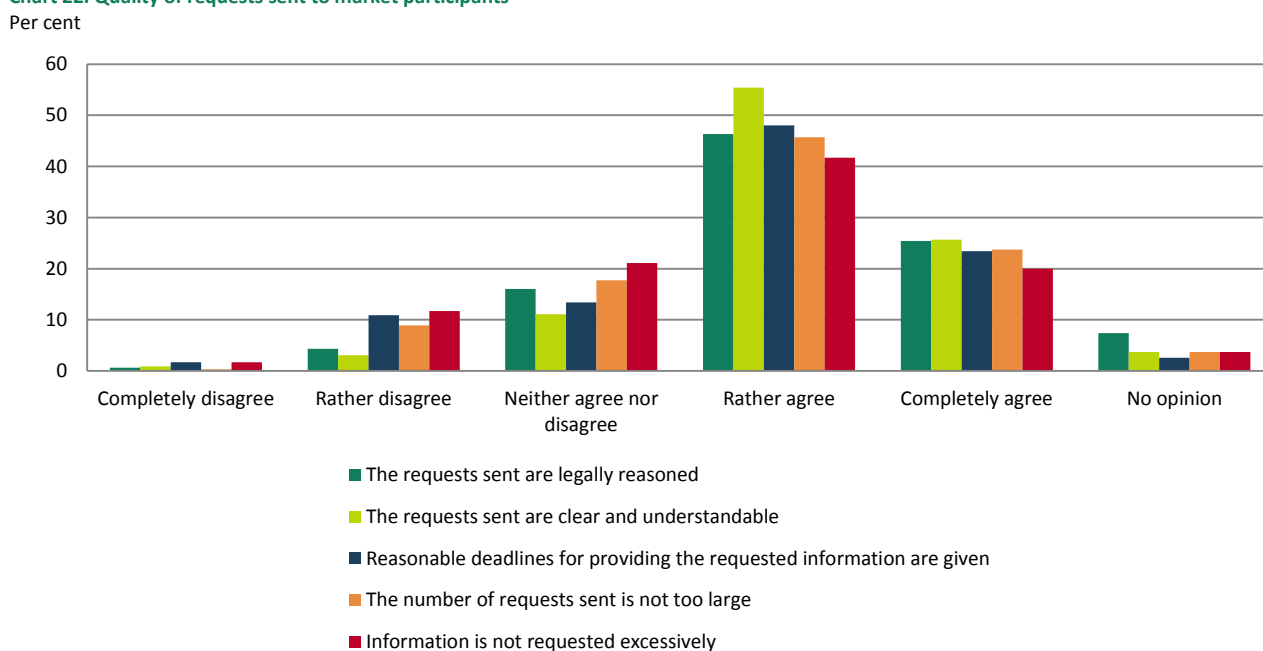
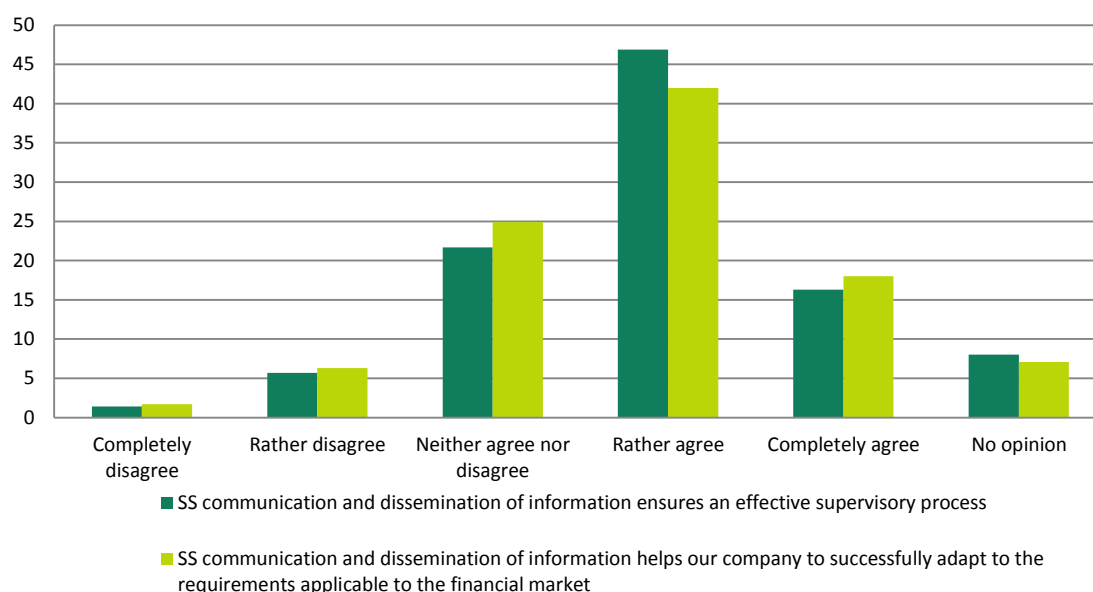


Chart 22 shows that the absolute majority of respondents assess the quality of requests from the SS and their number positively or neutrally. Most favourable was the assessment of the clarity of the SS requests.

Chart 23. Effectiveness of communication in performing the supervisory functions

Per cent



Note: does the information received during informal consultations (verbally, by e-mail) corresponds with the formal opinion provided by the SS later on (by formal letters).

The respondents positively evaluated the benefit of the SS communication for the supervisory process and daily activity of individual financial market participants (see Chart 23).

To sum up, it should be noted that the respondents indicated the following areas for improvement in communication:

- Better implementation of one-stop shop principle, which would ensure faster responses and that the answers of different SS specialists are the same.
- Faster communication, more concrete answers to enquiries instead of general or streamlined answers.
- The SS documents should be easier to find in the website of the Bank of Lithuania and more structured (possibility to subscribe for new documents, etc.).
- Enabling full use of electronic signature.
- Short informational messages about the market news, issues planned for consideration, reminders to market participants what and when should be done/presented, especially when it concerns innovations.
- More indirect actions, i.e., training, presentations, etc. Namely such presentations provide market participants with a lot of information and the opinion of the SS on certain matters.

COMMENT FROM THE SUPERVISION SERVICE

Taking into account the suggestions about communication received from market participants, we will soon update the website of the Bank of Lithuania, where access to information will be more user friendly to market participants. In addition, a function of direct submission of enquiries to the Supervision Service will be introduced. In order to ensure the effectiveness of one-stop shop principle, better quality of answers and even faster responses, we are revising the process of incoming enquiries and preparing responses. We will create opportunities for more intense dialogue with market participants by sharing the contacts of the SS officials with respective associations. Moreover, taking into account the recommendations and seeking greater transparency, this year, we started publishing the schedule of planned on-site inspections for the current year.

In order to create better conditions for faster notification of supervised market participants, we will encourage them to use e-delivery service for documents (<https://epristatymas.post.lt/>). Moreover, in the nearest future, we intend to adapt the document management system for e-signature, which would allow submitting all documents in electronic form.

ANNEX

SURVEY OF FINANCIAL MARKET PARTICIPANTS ABOUT THE ACTIVITY OF THE SUPERVISION SERVICE OF THE BANK OF LITHUANIA

A1. How often do you personally have to have to deal with the Supervision Service (SS) of the Bank of Lithuania?

1. At least monthly and more often
2. Around once in 3 months
3. Around once in 4–6 months
4. Around once in 7-12 months
5. Less often
6. Never (end of survey)

General assessment

First, please assess the general aspects of SS activity

B1. How satisfied are you with the SS activity in general? (*one answer*)

Very dissatisfied	Rather dissatisfied	Neither satisfied nor dissatisfied	Rather satisfied	Very satisfied	No opinion
1	2	3	4	5	9

B2. Is the SS performing the supervision of the Lithuania financial market effectively? (*one answer*)

Completely ineffectively	Rather ineffectively	Neither effectively nor ineffectively	Rather effectively	Very effectively	No opinion
1	2	3	4	5	9

B3. In your opinion, has the SS activity in implementing its mission improved, remained unchanged or deteriorated over the last two years? (*one answer*)

The mission of the SS of the Bank of Lithuania is to supervise the financial market in pursuit of its reliable, effective and sustainable development, responsible actions of market participants, and rational financial decisions of the consumers.

Considerably deteriorated	Somewhat deteriorated	Remained unchanged	Somewhat improved	Considerably improved	No opinion
1	2	3	4	5	9

B4. Please evaluate how well the SS contributes to the common social objectives by implementing its mission.

	Very poorly	Rather poorly	Neither well nor poorly	Rather well	Very well	No opinion
	1	2	3	4	5	9
1. Reliable and effective functioning of the financial market						
2. Sustainable development of the financial market						
3. Responsible behaviour of financial market participants						
4. Rational financial decisions of consumers						

B5. When assessing individual areas of the SS activity, please indicate whether the following SS functions are properly fulfilled.

	Completely improperly	Rather improperly	Neither properly nor improperly	Rather properly	Very properly	No opinion
	1	2	3	4	5	9
1. Legislation and regulation						
2. Licensing						
3. Prudential supervision						
4. Supervision of financial services and markets						
5. Inspections and investigations						
6. Resolution of disputes and complaints						
7. Financial education of consumers						

SUPERVISION

Now we will ask a few questions about the supervision performed by the SS.

P1. When assessing the supervisory policy implemented by the SS, please indicate whether you agree with the following statements.

	Completely disagree	Rather disagree	Neither agree nor disagree	Rather agree	Completely agree	No opinion
	1	2	3	4	5	9
1. SS is implementing risk-based supervision (there is more focus on systematically important and more risky areas)						
2. SS is implementing future-oriented supervision (more proactive and preventive than just responding to effects)						
3. SS activity is focused on achievement of objectives and results						
4. SS activity is consistent and predictable						
5. SS is effectively cooperating with other Lithuanian and foreign institutions						

P2. In general, is the SS properly supervising your company?

Completely improperly	Rather improperly	Neutral	Rather properly	Very properly	No opinion
1	2	3	4	5	9

P3. Please evaluate the SS employees supervising your company in the following aspects:

	Very bad	Rather bad	Neither good nor bad	Rather good	Very good	No opinion
	1	2	3	4	5	9
1. Proactiveness						
2. Positive attitude						
3. Cooperation						
4. Reliability						
5. Professionalism						
6. Objectivity						
7. Knowledge of trends and current issues in the financial market your company operates in						
8. Knowledge of your company's activities and risks						

Now we will ask a few questions about the quality of the SS decision-making process.

P4. Has the Bank of Lithuania done any of the following in your company over the last 12 months:

	Yes	No	I don't know
	1	2	9
1. Imposed sanctions			
2. Carried out an inspection			

P5.1. When assessing the sanctions imposed by the SS, please indicate whether you agree with the following statements.

	Completely disagree	Rather disagree	Neither agree nor disagree	Rather agree	Completely agree	No opinion
	1	2	3	4	5	9
1. Considering everything, the sanction was imposed properly						
2. The reasons and legal basis for imposition of the sanction were clear and well-reasoned						

P5.2. How do you see the following aspects of the SS decision-making?

	Very bad	Rather bad	Neither good nor bad	Rather good	Very good	No opinion
	1	2	3	4	5	9
1. Completeness and clarity of information about required procedures						
2. Objectivity and transparency of decisions						
3. Effectiveness of decisions (achievement of objectives)						
4. Information about planned meetings/sessions is presented in time						
5. Possibility to provide explanations and reasoning						
6. Public communication of the decisions made						

I6. In your opinion, are the arguments and explanations provided by market participants properly considered in the following stages of decision-making?

	Completely improperly	Rather improperly	Neither properly nor improperly	Rather properly	Very properly	No opinion
	1	2	3	4	5	9
1. Before the meeting						
2. During the meeting of the Board of Bank of Lithuania						
3. During the meeting of the SS Committee						

LEGISLATION

We will now ask some questions about legislation.

T1. Please assess the aspects below:

	Very bad	Rather bad	Neither good nor bad	Rather good	Very good	No opinion
	1	2	3	4	5	9
1. Intelligibility of the laws being draw up and clarity of their objectives						
2. Effectiveness of the laws being drawn up (the drawn up laws are effective)						
3. The laws are adopted in a timely manner in order to respond to changing market conditions in time						
4. Presentation of draft laws for consultation and the consultation process itself						
5. Unambiguity of laws (there are no provisions, which could lead to ambiguous interpretation and application of the law)						

T2. In your opinion, do local/national laws drawn up by the Bank of Lithuania and regulating the supervision of the financial market create excessive administrative burden to your company?

Note: please only assess national laws and national exceptions in the RU regulations and do not consider the mandatory EU legislation.

Completely not excessive				Very excessive	No opinion
1	2	3	4	5	9

T3. In your opinion, what should be changed or improved in the process of drawing up local/national laws by the Bank of Lithuania? (*open-ended question*)

COMMUNICATION

Now we will ask a few questions about how the SS communicates with market participants.

K1. Over the last 12 months, have you personally communicated with the SS in any of the following ways? Please indicate the ways of your communication (several answers are possible)

1. Directly with the responsible employees of the SS
2. Participated in the SS meetings
2. Communicated by e-mail
3. Called by telephone
4. Visited the website of the Bank of Lithuania
5. Other (please specify):

K2. Are you satisfied with the way the SS contacts and communicates with your company? (*one answer*)

Very dissatisfied	Rather dissatisfied	Neither satisfied nor dissatisfied	Rather satisfied	Very satisfied	No opinion
1	2	3	4	5	9

K3. What is your opinion about the formal and informal consultations, opinions and answers provided by the SS?

	Very poorly	Rather poorly	Neither good nor bad	Rather good	Very good	No opinion
	1	2	3	4	5	9
1. Formal consultations (formal letters to the queries sent)						
2. Informal consultations (by telephone, e-mail, during meetings)						

K4. Does the information received during informal consultations (verbally, by e-mail) corresponds with the formal opinion provided by the SS later on (by formal letters).

Almost never corresponds with formal information	Most often does not correspond with formal information	Various cases occur	Most often corresponds with formal information	Always or almost always corresponds with formal information	No opinion
1	2	3	4	5	9

K5. In carrying out its functions, the SS sends requests to supervised companies to submit information or documents about their activities. Please indicate if you agree with the above statement:

	Completely disagree	Rather disagree	Neither agree nor disagree	Rather agree	Completely agree	No opinion
	1	2	3	4	5	9
1. The requests sent are legally reasoned						
2. The requests sent are clear and understandable						
3. Reasonable deadlines for providing the requested information are given						
4. The number of requests sent is not too large						
5. Information is not requested excessively						

K7. Please indicate whether you agree with the following statements about the SS communication and dissemination of information in general:

	Completely disagree	Rather disagree	Neither agree nor disagree	Rather agree	Completely agree	No opinion
	1	2	3	4	5	9
1. SS communication and dissemination of information ensures an effective supervisory process						
2. SS communication and dissemination of information helps our company to successfully adapt to the requirements applicable to the financial market.						

Finally, we would like to ask what should be improved in the SS activity so that the supervision of the financial market would become more effective?

DEMOGRAPHIC QUESTIONS

D1. Please indicate the group of companies supervised by the Bank of Lithuania you represent.

1. Banks
2. Credit unions and LCCU
3. Insurers and insurance intermediaries
4. Payment and electronic money institutions
5. Management and financial brokerage firms
6. Consumer credit lenders, intermediaries, operators of peer lending platforms
7. Other financial market participants

D2. Your position:

1. Head of the company, council or board member
2. Head of a unit (department, division)
3. Other