



BOARD OF THE BANK OF LITHUANIA

RESOLUTION ON THE APPROVAL OF THE REGULATIONS FOR THE CALCULATION OF INITIAL CAPITAL AND OWN FUNDS OF ELECTRONIC MONEY INSTITUTIONS AND PAYMENT INSTITUTIONS AND THE FORMS OF THE REPORT ON THE CALCULATION OF INITIAL CAPITAL AND OWN FUNDS OF ELECTRONIC MONEY INSTITUTIONS (PAYMENT INSTITUTIONS)

24 May 2018 No 03-83
Vilnius

Acting in accordance with Article 42(3)(1) of the Republic of Lithuania Law on the Bank of Lithuania, Article 24(5) of the Republic of Lithuania Law on Electronic Money and Electronic Money Institutions, Article 16(5) of the Republic of Lithuania Law on Payment Institutions and implementing Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC and Directive 2009/110/EB of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC, the Board of the Bank of Lithuania has r e s o l v e d :

1. To approve the Regulations for the Calculation of Initial Capital and Own Funds of Electronic Money Institutions and Payment Institutions (attached).
2. To approve the forms of the report on the calculation of initial capital and own funds of electronic money institutions (payment institutions):
 - 2.1. Form EM007_1 for initial capital (attached);
 - 2.2. Form EM007_2 for own funds requirement (attached);
 - 2.3. Form EM007_3 for own funds and own funds adequacy ratio (attached).
3. To repeal Resolution No 240 of the Board of the Bank of Lithuania of 24 December 2009 on the regulations for the calculation of own funds of electronic money institutions and payment institutions, including all amendments and supplements.
4. To establish that this Resolution shall enter into force on 1 August 2018.

Deputy Chair of the Board
Deputising for the Chairman of the Board

Raimondas Kuodis

APPROVED
by Resolution No 03-83
of the Board of the Bank of Lithuania
of 24 May 2018

REGULATIONS FOR THE CALCULATION OF OWN FUNDS OF ELECTRONIC MONEY INSTITUTIONS AND PAYMENT INSTITUTIONS

CHAPTER I GENERAL PROVISIONS

1. The Regulations for the Calculation of Own Funds of Electronic Money Institutions and Payment Institutions (hereinafter – the Regulations) establish requirements for calculation of initial capital and own funds of electronic money institutions holding the electronic money institution's authorisation and payment institutions holding the payment institution's authorisation, and procedures and methods of calculation of the own funds requirement, due dates and procedures for submission of the Report on Calculation of Initial Capital and Own Funds (hereinafter – the Report) to the Bank of Lithuania.

2. The requirements established by the Regulations shall apply to electronic money institutions and payment institutions that provide payment services specified in Article 5(1-6) of the Republic of Lithuania Law on Payments.

3. Terms used in the Regulations:

3.1. **own funds requirement of an electronic money institution** – amount of own funds of an electronic money institution, required for covering risks of issuance of electronic money, provision of payment services and closely related ancillary services assumed by an electronic money institution;

3.2. **other operating income** – income, other than commissions and fees and interest income received when providing payment services and closely related ancillary services;

3.3. **commissions and fees** – total sum of commissions and fees received when providing payment services and closely related ancillary services;

3.4. **own funds requirement of a payment institution** – amount of own funds of a payment institution, required for covering risks of provision of payment services and closely related ancillary services assumed by a payment institution;

3.5. **monthly average payment volume (hereinafter – MAPV)** – one twelfth of the total amount of payment transactions executed by electronic money institutions and payment institutions during the last 12 months;

3.6. **interest expenses** – interest paid by electronic money institutions and payment institutions on borrowed funds and on funds held in payment accounts of payment service users and other payment service providers;

3.7. **interest income** – interest received by electronic money institutions and payment institutions for invested funds of payment service users and other payment service providers and other funds held by electronic money institutions and payment institutions;

3.8. **fixed overheads** – expenses (for lease, insurance, maintenance of buildings, depreciation of fixed assets, administrative and other similar expenses), the total amount of which remains unchanged or changes only inconsiderably as a result of changes in volumes of provided payment services;

3.9. **ancillary services closely related to the issuance of electronic money and/or payment services** – services defined in Article 12(1)(2-3) of the Republic of Lithuania Law on Electronic Money and Electronic Money Institutions and Article 4(2)(1-2) of the Republic of Lithuania Law on Payment Institutions.

4. Other terms used in the Regulations shall be interpreted as defined in the Republic of

Lithuania Law on Electronic Money and Electronic Money Institutions, the Law on Payment Institutions and the Law on Payments.

5. Documents furnished under these Regulations to the Bank of Lithuania and actions performed thereby shall be subject to the requirements of General Regulations on Filing and Processing the Applications of Credit, Electronic Money and Payment Institutions for the Issuance of Authorisations and on Granting Thereof approved by Resolution No 58 of the Board of the Bank of Lithuania of 6 May 2004 on the approval of general regulations on filing and processing the applications of credit, electronic money and payment institutions for the issuance of authorisations and on granting thereof, unless otherwise provided by the Regulations.

CHAPTER II INITIAL CAPITAL, OWN FUNDS AND CALCULATION OF THE OWN FUNDS REQUIREMENT

SECTION ONE INITIAL CAPITAL AND OWN FUNDS

6. Initial capital and own capital requirements of an electronic money institution are regulated by Chapter VI of the Law on Electronic Money and Electronic Money Institutions. Initial capital and own capital requirements of a payment institution are regulated by Chapter V of the Law on Payment Institutions, with regard to the payment services provided. A payment institution providing payment services for which different amounts of initial capital are established must hold a larger amount of initial capital under the provision of Article 14(2) of the Law on Payment Institutions.

SECTION TWO CALCULATION OF OWN FUNDS REQUIREMENT

7. An electronic money institution that issues electronic money and provides related payment services shall apply Method D for the calculation of its own funds requirement. The payment services provided by an electronic money institution shall be deemed to be related to the issuance of electronic money where they meet at least one of the following conditions:

7.1. payment transactions shall be executed in electronic money between electronic money holders of the electronic money institution;

7.2. the provision of these services shall involve the issuance or redemption of electronic money through one and the same payment transaction.

7¹. If an electronic money institution also provides payment services not related to the issuance of electronic money, the own funds requirement for this activity shall be calculated in accordance with one of these Methods: A, B or C.

8. Own funds of a payment institution shall be calculated in accordance with one of the following methods: A, B or C.

Method A

9. For the purpose of applying Method A, the own funds requirement of the electronic money institutions or payment institutions shall be calculated according to fixed overheads of the electronic money institutions or payment institutions for the preceding 12 months. The own funds requirement of the electronic money institutions or payment institutions shall amount to at least 10% of the fixed overheads for the preceding 12 months. The Bank of Lithuania shall have the right to establish the individual amount of the own funds requirement – to increase or reduce it in the event of a material change in the activity of the electronic money institutions or payment institutions since the preceding 12 months (e.g., disposal of part of business, acquisition of new

business, sudden growth of assets of the electronic money institutions or payment institutions, etc.). Where at the date of calculation of the own funds requirement the electronic money institutions or payment institutions have not yet provided payment services during the preceding 12 months, their own funds requirement may be calculated on the basis of the amount of fixed overheads projected in the business plan of the electronic money institutions or payment institutions, unless an adjustment to that plan is required during the deliberation of the issue on the granting of the authorisation by the Bank of Lithuania in observance of provisions of Article 31(1) of the Law on Electronic Money and Electronic Money Institutions and Article 25(1) of the Law on Payment Institutions.

Method B

10. For the purpose of applying Method B, the own funds requirement of the electronic money institutions or payment institutions shall be calculated according to MAPV. The own funds requirement of the electronic money institutions or payment institutions shall amount to at least the sum of the following elements multiplied by the scaling factor k defined in paragraph 11 below:

- 10.1. 4% of the slice of MAPV up to EUR 5 million;
- 10.2. 2.5% of the slice of MAPV above EUR 5 million up to EUR 10 million;
- 10.3. 1% of the slice of MAPV above EUR 10 million up to EUR 100 million;
- 10.4. 0.5% of the slice of MAPV above EUR 100 million up to EUR 250 million;
- 10.5. 0.25% of the slice of MAPV above EUR 250 million.

11. The scaling factor k used for the calculation of own funds of the electronic money institutions and payment institutions according to Methods B and C specified in paragraphs 10 and 12 shall be:

11.1. 0.5, where the electronic money institutions and payment institutions provide only the payment service specified in Article 5(6) of the Law on Payments;

11.2. 1, where the electronic money institutions and payment institutions provide any of the payment services specified in Article 5(1-5) of the Law on Payments.

Method C

12. For the purpose of applying Method C, the own funds requirement of the electronic money institutions or payment institutions shall amount to at least the multiplication factor n defined in subparagraph 12.2, calculated based on the indicator r defined in subparagraph 12.1 multiplied by the scaling factor k defined in paragraph 11 above:

12.1. indicator r – the sum of interest income, interest expenses, commissions and fees and other operating income. Indicator r shall be calculated according to the following principles:

12.1.1. only income and expenditure related to payment services and closely related ancillary services shall be included in the calculation of the amount of the indicator;

12.1.2. each element of the indicator shall be included in the sum with its positive or negative sign;

12.1.3. income from extraordinary or irregular items may not be used in the calculation of the indicator;

12.1.4. expenditure on the outsourcing of services rendered by third parties to other persons to whom an electronic money institution or a payment institution has assigned the performance of the operational functions may reduce the relevant indicator if the expenditure is incurred for such electronic money institutions or payment institutions;

12.1.5. the indicator shall be calculated at the end of each financial year on the basis of the audited figures for the previous financial year;

12.1.6. when audited figures of an electronic money institution or a payment institution are not available, unaudited financial figures may be used.

12.2. The multiplication factor n shall be equal to the sum of amounts of the indicator r defined in subparagraph 12.1:

12.2.1. 10% of the slice of the indicator r up to EUR 2.5 million;

12.2.2. 8% of the slice of the indicator r from EUR 2.5 million up to EUR 5 million;

12.2.3. 6% of the slice of the indicator r from EUR 5 million up to EUR 25 million;

12.2.4. 3% of the slice of the indicator r from EUR 25 million up to EUR 50 million;

12.2.5. 1.5% above EUR 50 million.

12.3. The own funds requirement calculated according to Method C shall not fall below 80% of the average own funds requirement for the previous three financial years calculated according to Method C.

Method D

13. For the purpose of applying Method D, the own funds requirement of an electronic money institution shall be calculated according to the average outstanding electronic money. The own funds of an electronic money institution for the activity of issuing electronic money shall amount to at least 2% of the average outstanding electronic money. An electronic money institution which provides payment services specified in Article 5 of the Law on Payments other than the issuance of electronic money or carries out activities indicated in Article 12(1) of the Law on Electronic Money and Electronic Money Institutions and the amount of outstanding electronic money is not known in advance, the Bank of Lithuania shall allow that electronic money institution to calculate its own funds requirement on the basis of a representative portion assumed to be used for the issuance of electronic money, provided such a representative portion can be reasonably estimated on the basis of historical data and to the satisfaction of the Bank of Lithuania. Where on the day of calculation of the own funds requirement of an electronic money institution it has not completed a sufficient period of business, the own funds requirement of such electronic money institution shall be calculated on the basis of projected average outstanding electronic money in the business plan of an electronic money institution the correction of weaknesses of which might be requested in observance of provisions of Article 31(1) of the Law on Electronic Money and Electronic Money Institutions when the Bank of Lithuania deliberates the issue of an authorisation.

SECTION THREE REQUIREMENTS FOR APPLYING THE METHOD FOR THE CALCULATION OF OWN FUNDS

14. An electronic money institution that issues electronic money and provides related payment services when filing an application for granting an authorisation of an electronic money institution shall apply Method D for the calculation of its own funds requirement. An electronic money institution when filing an application for the granting of an authorisation of an electronic money institution additionally intending to provide payment services not related to the issuance of electronic money shall have the right to choose Method A, B or C for the calculation of its own funds requirement for payment services not related to the issuance of electronic money.

15. A payment institution when filing an application for granting an authorisation of a payment institution shall have the right to choose Method A, B or C for the calculation of its own funds requirement.

16. During the financial year, the method for the calculation of own funds requirement may be changed only once at the beginning of the financial year, i.e. until 31 March of that year, if the Bank of Lithuania does not object. Electronic money institutions and payment institutions must, no later than 30 days in advance, notify in written form the Bank of Lithuania about the planned change of the method for the calculation of own funds requirement and provide alongside the application the justification for the calculation of the own funds requirement according to the

selected method and of the amount of own funds.

17. In observance of provided (planned) payment services, their extent and assessment of the risk management process, internal control and accounting system of electronic money institutions and payment institutions, the Bank of Lithuania shall have the right to object the application of the method for the calculation of own funds requirement chosen by an electronic money institution and a payment institution.

18. An electronic money institution or a payment institution must change the method for the calculation of own funds requirement if the change is required by the Bank of Lithuania pursuant to Article 33(2) of the Law on Electronic Money and Electronic Money Institutions and Article 27(2) of the Law on Payment Institutions.

CHAPTER III DUE DATES AND PROCEDURES FOR SUBMISSION OF THE REPORT

19. The electronic money institution or payment institution, except for those specified in paragraph 19¹, must submit to the Bank of Lithuania the report within 20 days after the end of the quarter.

19¹. The electronic money institution and payment institution that provide only payment initiation services and/or only engage in collection of payments for utilities or other regular household bills, collection of fines and/or other charges to state institutions, payment of social benefits, must submit to the Bank of Lithuania the report drawn up according to the data of 31 December, within 20 days after the end of the financial year.

19². At the end of the financial year, the electronic money institution and payment institution to which the Law of the Republic of Lithuania on Financial Institutions applies must, within 3 days after the general meeting of shareholders adopts the decision on approval the set of annual financial statements, or not later than by 5 May, when the above mentioned Law does not apply to these institutions, submit to the Bank of Lithuania a revised report if the data specified in the report have changed.

20. An electronic money institution or a payment institution which is unable to submit the Report on time must in advance and in written form notify the Bank of Lithuania.

21. An electronic money institution or a payment institution shall submit the Report to the Bank of Lithuania through the Bank of Lithuania's information system.

(name of electronic money institution (payment institution))

(code, address, phone, email of institution)

To the Supervision Service
of the Bank of Lithuania
Žirmūnų g. 151, LT-09128 Vilnius

Submission term within 20 days after the end of the quarter
Periodicity quarterly
Measurement unit, preciseness EUR thousand

**Report on the calculation of initial capital and own funds of electronic
money institutions (payment institutions)**

INITIAL CAPITAL

		Amount, EUR thousand
1.	INITIAL CAPITAL REQUIREMENT	
2.	AMOUNT OF INITIAL CAPITAL	

(title of Head)

(signature)

(full name)

(title of executive officer)

(signature)

(full name)

(name of electronic money institution (payment institution))

(code, address, phone, email of institution)

To the Supervision Service
of the Bank of Lithuania
Zirmūnų g. 151, LT-09128 Vilnius

Submission term within 20 days after the end of the quarter
Periodicity quarterly
Measurement unit, preciseness EUR thousand

Report on the calculation of initial capital and own funds of electronic money institutions (payment institutions)

OWN FUNDS REQUIREMENT

		Amount, EUR thousand
1.	1. METHOD A	
1.1.	1.1. Amount of fixed overheads for the preceding 12 months	
1.2.	1.2. Own funds requirement calculated according to Method A (10% of the amount of fixed overheads for the preceding 12 months)	
2.	2. Scaling factor K (used when calculating own funds requirement according to Methods B and C)	
3.	3. Method B	
3.1.	3.1. Monthly average payment volume (MAPV)	
3.2.	3.2. Recalculated MAPV amount	
3.2.1.	3.2.1. 4% of the slice of MAPV up to EUR 5 million	
3.2.2.	3.2.2. 2.5% of the slice of MAPV above EUR 5 million up to EUR 10 million	
3.2.3.	3.2.3. 1% of the slice of MAPV above EUR 10 million up to EUR 100 million	
3.2.4.	3.2.4. 0.5% of the slice of MAPV above EUR 100 million up to EUR 250 million	
3.2.5.	3.2.5. 0.25% of the slice of MAPV above EUR 250 million	
3.3.	3.3. OWN FUNDS REQUIREMENT CALCULATED ACCORDING TO METHOD B	
4.	4. METHOD C	
4.1.	4.1. Indicator r	
4.1.1.	4.1.1. Interest income	
4.1.2.	4.1.2. Interest expenses	
4.1.3.	4.1.3. Commissions and fees	
4.1.4.	4.1.4. Other operating income	
4.2.	4.2. Multiplication factor n	
4.2.1.	4.2.1. 10% of the slice of the indicator r up to EUR 2.5 million	
4.2.2.	4.2.2. 8% of the slice of the indicator r from EUR 2.5 million up to EUR 5 million	
4.2.3.	4.2.3. 6% of the slice of the indicator r from EUR 5 million up to EUR 25 million	
4.2.4.	4.2.4. 3% of the slice of the indicator r from EUR 25 million up to EUR 50 million	
4.2.5.	4.2.5. 1.5% of the slice of the indicator r above EUR 50 million	
4.3.	4.3. 80% of the average own funds requirement for the preceding three financial years calculated according to Method C	
4.4.	4.4. Own funds requirement calculated according to Method C	
5.	5. METHOD D (for electronic money institutions only)	
5.1.	5.1. Average outstanding electronic money	
5.2.	5.2. Own funds requirement calculated according to Method D (2% of average outstanding electronic money)	
6.	6. Overall own funds requirement	
7.	7. OWN FUNDS REQUIREMENT (the larger of the amounts of initial capital requirement (line 1 of Form 1) and own funds requirement calculated according to a chosen method (line 6 of Form 2))	

(title of Head)

(signature)

(full name)

(title of executive officer)

(signature)

(full name)

(name of electronic money institution (payment institution))

(code, address, phone, email of institution)

To the Supervision Service
of the Bank of Lithuania
Žirmūnų g. 151, LT-09128 Vilnius

Submission term within 20 days after the end of the quarter
Periodicity quarterly
Measurement unit, preciseness EUR thousand

Report on the calculation of initial capital and own funds of electronic money institutions (payment institutions)

OWN FUNDS REQUIREMENT

		Amount, EUR thousand
1.	1. METHOD A	
1.1.	1.1. Amount of fixed overheads for the preceding 12 months	
1.2.	1.2. Own funds requirement calculated according to Method A (10% of the amount of fixed overheads for the preceding 12 months)	
	2. Scaling factor k (used when calculating own funds requirement according to Methods B and C)	
2.		
3.	3. Method B	
3.1.	3.1. Monthly average payment volume (MAPV)	
3.2.	3.2. Recalculated MAPV amount	
3.2.1.	3.2.1. 4% of the slice of MAPV up to EUR 5 million	
3.2.2.	3.2.2. 2.5% of the slice of MAPV above EUR 5 million up to EUR 10 million	
3.2.3.	3.2.3. 1% of the slice of MAPV above EUR 10 million up to EUR 100 million	
3.2.4.	3.2.4. 0.5% of the slice of MAPV above EUR 100 million up to EUR 250 million	
3.2.5.	3.2.5. 0.25% of the slice of MAPV above EUR 250 million	
3.3.	3.3. OWN FUNDS REQUIREMENT CALCULATED ACCORDING TO METHOD B	
4.	4. METHOD C	
4.1.	4.1. Indicator r	
4.1.1.	4.1.1. Interest income	
4.1.2.	4.1.2. Interest expenses	
4.1.3.	4.1.3. Commissions and fees	
4.1.4.	4.1.4. Other operating income	
4.2.	4.2. Multiplication factor n	
4.2.1.	4.2.1. 10% of the slice of the indicator r up to EUR 2.5 million	
4.2.2.	4.2.2. 8% of the slice of the indicator r from EUR 2.5 million up to EUR 5 million	
4.2.3.	4.2.3. 6% of the slice of the indicator r from EUR 5 million up to EUR 25 million	
4.2.4.	4.2.4. 3% of the slice of the indicator r from EUR 25 million up to EUR 50 million	
4.2.5.	4.2.5. 1.5% of the slice of the indicator r above EUR 50 million	
4.3.	4.3. 80% of the average own funds requirement for the preceding three financial years calculated according to Method C	
4.4.	4.4. Own funds requirement calculated according to Method C	
5.	5. METHOD D (for electronic money institutions only)	
5.1.	5.1. Average outstanding electronic money	
5.2.	5.2. Own funds requirement calculated according to Method D (2% of average outstanding electronic money)	
6.	6. Overall own funds requirement	
7.	7. OWN FUNDS REQUIREMENT (the larger of the amounts of initial capital requirement (line 1 of Form 1) and own funds requirement calculated according to a chosen method (line 6 of Form 2))	

(title of Head)

(signature)

(full name)

(title of executive officer)

(signature)

(full name)