



**LIETUVOS BANKAS**  
EUROSISTEMA

# NATIONAL PAYMENTS STRATEGY

**PUBLIC  
CONSULTATION  
DOCUMENT**

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JUNE 2016

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## Participation in public consultation

The objective of this consultation is to find out public opinion, comments or suggestions on the objective, directions and measures of the National Payments Strategy. All interested parties are welcome to participate: representatives of consumers, as well as consumers with special needs, representatives of small, medium and large enterprises, market experts, academics, representatives of the public sector.

It is recommended that answers be given using the **electronic response template**. If this is not possible, comments may be provided either in writing (Totorių g. 4, LT-01121 Vilnius, Lithuania) or by e-mail, [payments-strategy@lb.lt](mailto:payments-strategy@lb.lt), in the style of an informal text. Comments are accepted in Lithuanian and English.

Your opinion would be most valuable, if it is:

- **clearly formulated and reasoned;**
- **if possible, supplemented by references to publicly available sources;**
- **supplemented with alternatives, especially if you think that the presented measures are insufficient.**

Please send the electronic template by e-mail: [payments-strategy@lb.lt](mailto:payments-strategy@lb.lt).

Please send the paper form to the following address: **Totorių g. 4, LT-01121 Vilnius, Lithuania.**

Public consultation is open until **30 September 2016**.

### Personal Data Protection Policy

The personal data of respondents, received during the public consultation, is processed by the Bank of Lithuania in accordance with the Description of the Procedure for the Processing of Personal Data in the Bank of Lithuania Received During Public Consultations, approved by Order No V 2016/(1.7-260603)-02-108 of 27 June 2016 of the Chairman of the Board of the Bank of Lithuania 'On the Approval of the Description of the Procedure for the Processing of Personal Data in the Bank of Lithuania Received During Public Consultations'.

The administrator of the collected data is the Bank of Lithuania (legal entity code 188607684, Gedimino pr. 6, LT-01103 Vilnius, Lithuania).

The following personal data is collected and processed: name and surname of the respondent, contact information: phone number, address or email address, answers to the questions provided during the public consultation, and any other data provided by decision of the respondent.

The Bank of Lithuania will publicly announce the depersonalised answers received by individual respondents.

### Publication of the answers of legal entities

The Bank of Lithuania will publish the answers received by individual respondents, together with their names. The respondent is entitled to refuse to allow the publishing of their answers, comments and opinion or confidential information, if it contradicts the legitimate interests of the respondent. The respondent should submit, in writing, the request that their data or confidential information should not be published. In this case, the answers or provided confidential information of the respondent will not be published; however, it will be evaluated in the same manner as of the other respondents.

### Other actions

In order to include a greater share of society in the public consultation, the Bank of Lithuania will organise a public discussion on the objective, directions and measures of the National Payments Strategy on 15 September 2016. Detailed information about the event will be provided on the Bank of Lithuania website: [www.lb.lt](http://www.lb.lt).

After the consultation, the Bank of Lithuania will publish a summarised report on the comments received.

If you have any questions regarding participation in the public consultation, you can contact us by e-mail: [payments-strategy@lb.lt](mailto:payments-strategy@lb.lt), or by phone: (+370 5) 268 0807.

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## Context and justification of the public consultation

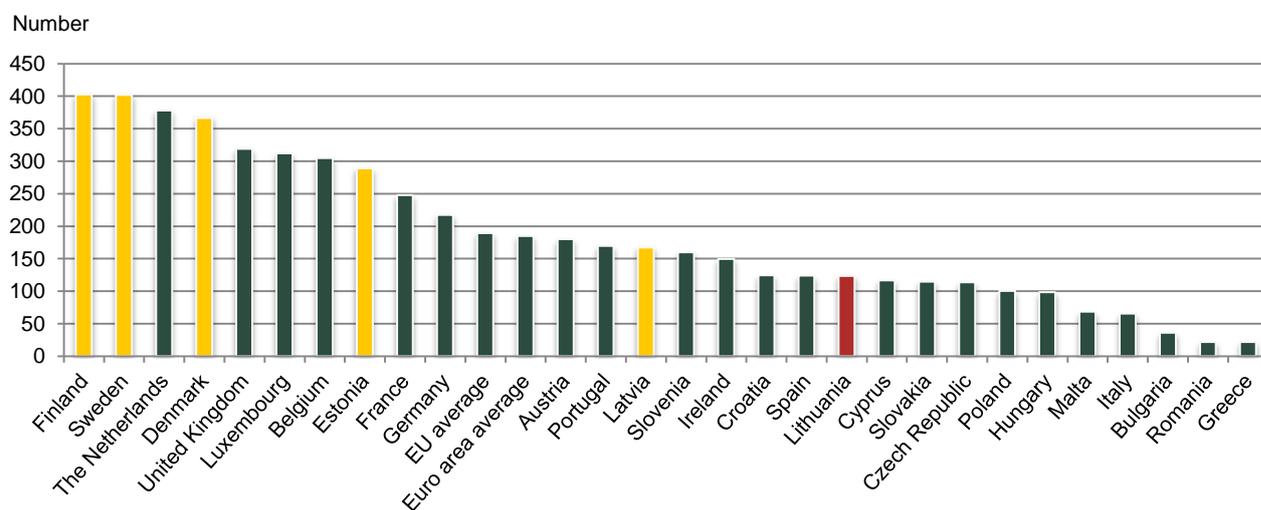
**In order to ensure the economic development of the country and public welfare, it is important for the residents and enterprises to be able to use efficient payment methods at a competitive price.** When retail payments are executed quickly and conveniently, they increase the competitiveness of the economy and, when easily accessible, reduce social exclusion.<sup>1</sup>

**A discrepancy between the supply and demand in the Lithuanian payments market is observed.** Lithuania has the lowest level of electronic payments initiated through payment service providers in the Nordic and Baltic countries (see Chart 1). In the opinion of the Bank of Lithuania, this situation has occurred due to systemic market shortcomings in the whole payment service cycle, i.e. from the payment service's creation and development, to management and pricing. This influenced not only lower use of services, but also reduced users' trust in payment service providers. Although several new initiatives are being prepared at the moment<sup>2</sup>, which are expected to increase competition and encourage innovation, they may be insufficient if at the same time there are no coherent and coordinated actions involving all interested parties.

**The objective, directions and measures of the National Payments Strategy were formed after extensive preparatory work, including the evaluation of changes in the market.** Over the last decade, the Lithuanian payments market was affected by three waves of fundamental change: the emergence of non-bank competitors, SEPA technical standardisation, and digital technologies. However, the information gathered indicates that the potential for these factors is still untapped. The reasons for this in most cases are the common practice of the three party model and reliance on relatively expensive international payment card schemes.<sup>3</sup> The decisions of just the banking sector would not be sufficient to change the situation. Participation of residents and enterprises is very important in order to increase the involvement of payment service users and to form new habits. The legislator and the government may also significantly contribute to the development of the market by creating conditions to attract investments and increase confidence in the market.

**Technologies used for payments are developing rapidly. But if there are adjacent structural problems, technology does not guarantee significant changes by itself.** Global trends are shifting towards contactless payments (when it's enough to touch the terminal with a payment instrument) and instant payments (when the money reaches the payee within a few seconds). These instruments will be implemented in Lithuania as well. However, it is not clear at what scale these instruments will be used in Lithuania. Payments with payment cards, particularly popular in Scandinavian countries, have not gained such popularity in Lithuania. Direct debit, which is popular in Germany, is almost not offered to users in Lithuania.

Chart 1. Number of transactions initiated through payment service providers, per capita, in 2014.



Sources: ECB and Bank of Lithuania calculations

Note: transactions of credit transfers, remittance, direct debit and payment cards, except e-money, are included.

Other countries of the Nordic and Baltic region are marked in yellow.

<sup>1</sup> See <http://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0807.pdf>.

<sup>2</sup> For example, a new payment initiation service, which is regulated by the EU Directive on Payment Services in the Internal Market (No 2015/2366), also the amendments to the Law on Payments, which provides the possibility to receive the necessary bank and credit union services related to the payment account for a regulated price.

<sup>3</sup> A comparison of the costs of international and national payment cards can be found in the study report by the Central Bank of Norway ([http://static.norges-bank.no/pages/101634/Norges\\_Bank\\_Papers\\_5\\_2014.pdf](http://static.norges-bank.no/pages/101634/Norges_Bank_Papers_5_2014.pdf)).

**This strategy focuses on the development of electronic payments as a fully-fledged alternative to cash.** Both cash and effective and innovative methods of electronic payment can be used in tandem, complementing each other. However, in some cases (e.g. in the case of digital content) goods can be delivered and services provided only if they are paid for electronically. It is important for Lithuania, as a small and open economy, to gain access to goods and services provided in other countries. Cash is not the most appropriate option for that purpose. In the development of alternatives to cash, users are able to decide which option is more appropriate in each case. Global trends show that in most cases electronic payments are more advantageous.<sup>4</sup>

**The proposed measures in the Strategy are based on free choice for users.** While there are signs of inefficiency in the market, compulsory use of one or another payment method would not be helpful to society. A payment method based on the needs of users and available at a competitive price, under the conditions of the market economy should have an advantage over the less developed alternatives.

**After the public consultation, only some of the suggested measures or measures suggested by the partners that are not discussed in this document might be included to the National Payments Strategy.** In the selection of measures, public opinion, as well as the resources allocated to a particular measure by the partners and the Bank of Lithuania, will be taken into account. Interested parties are invited to indicate how they can contribute to the implementation of the most supported measures.

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<sup>4</sup> See [https://www.fr.capgemini-consulting.com/resource-file-access/resource/pdf/world\\_payments\\_report\\_2015\\_vfinal.pdf](https://www.fr.capgemini-consulting.com/resource-file-access/resource/pdf/world_payments_report_2015_vfinal.pdf).

# The objective of the National Payments Strategy

## 1. DEFINITION OF THE OBJECTIVE

**The purpose of the Strategy is to achieve that contactless, instant electronic payment methods that are closely integrated into business models and meet the needs of consumers and entities, are extensively distributed among Lithuanian residents by 2020.** This definition includes both sides of the payments market (supply and demand) and essential components of market development: technologies, users' involvement in the development of services and competitive pricing. Banks and other payment service providers (from the supply side) are expected to provide innovative payment methods corresponding to global trends, characterised by contactless technologies and instant crediting of funds to the payee, even in the case when the payer's and the payee's payment service providers are different. Contactless technologies can provide for a faster payment time, thus the length of time payers spend in queues is shortened. Instant payments allow the transfer of funds between the payer and the payee within a few seconds, thus eliminating settlement risk and improving the liquidity situation of the payee. In order to engage users in using electronic payments, they must be involved in the development of services at an early stage, and payment service providers should regularly assess their needs and take them into account.

**In the formation of the objective, we seek for the balance between the most promising payments technologies and the implementation of processes determining the development of the market.** Contactless and instant payment technologies are currently the most promising technologies in the payments area. They are non-discriminatory in respect to a particular interface (e.g. NFC, BLE, QR<sup>5</sup>) and payment instrument, because they can be used in payments with payment cards, executing credit transfers or electronic money transactions. Processes, such as the assessment of the needs of companies and individuals, are universal; they create added value to payments, and determine the development of the market.

**The period for implementing the strategy lasts until the end of 2020.** The four-year period is mainly attributable to the infrastructure projects that require planning and implementation stages. In addition, the adoption and spread of new technologies needs certain changes in payment habits. However, it is not appropriate to plan measures over a longer period of time due to the high uncertainty of the technological field and market structures.

**The Strategy is neutral in respect to banks and non-bank payment service providers; however, it is prepared in a way that the payment market would be ready for a possible decrease in the market share of the banking sector.** Although banks currently are the main participants in the payments market, they will have to re-examine their role in the context of new legislative initiatives and technological challenges. The Payment Services Directive, which will be transposed into national law by January 2018, imposes an obligation on payment service providers to open up access to their systems to other payment service providers. There is no data at the moment as to which strategic direction banks operating in Lithuania will select and how non-bank payment service providers will take advantage of the opportunities.

### Questions

Q1

Do you agree with the objective of the Strategy? Which aspects (e.g., particular technologies, period, and neutrality in respect to service providers) would you propose to change or correct?

Q2

Is there an alternative objective to reach, so that payments in Lithuania would be executed quickly, conveniently and be easily accessible to users?

## 2. DIRECTIONS

**In order to achieve the objective, three strategic directions are determined:**

- 1) To develop an infrastructure at points of sale and amongst payment service providers, allowing the extensive use of contactless and instant payments, and ensuring that the issuing and acquiring of payment instruments is economically attractive to the large number of payment service providers (hereinafter — first direction);
- 2) To increase the involvement and impact of users in decisions on the payment service development direction and measures (hereinafter — second direction);
- 3) To build users' trust in payment service providers and payment services, and to purposefully form payment habits (hereinafter — third direction);

<sup>5</sup> Different technologies for contactless information exchange are listed.

**In order to increase the competitiveness of the payments market, it is important that smaller payment service providers have the means for comprehensive competition with larger payment service providers.** 39 payment institutions and 7 electronic money institutions are operating in the Lithuanian market; however, they do not issue payment cards of international schemes themselves and do not directly participate in the acquiring business. The payment card infrastructure and its elements (transaction processing, fees of card schemes, equipment certification, data protection audit) are still quite expensive and economically unattractive for non-bank payment service providers, which means that the payment cards market, without major changes, will continue to be concentrated.

**Contactless and instant payment technologies allow the development of alternatives for payment cards of international schemes.** Instant payments through applications on a smartphone can replicate the function of payment cards and even add new possibilities, such as crediting of funds to the payee within a few seconds and payments between individuals. However, there is a risk that every payment service provider will develop individual services, non-compatible with other service providers, thus an alternative standardised network of POS terminals will not be created throughout the country. A nationally established new common brand of instant payments and rules related to it would diminish this risk. The manager of such a brand would have to ensure that the issuing and acquiring of payment instruments would be economically attractive for a large number of payment service providers. Increased competition and usage of open standards would create pressure on payment service fees and, respectively encourage the payment instrument's popularity.

**The development of an alternative network does not mean that international scheme payment cards would not be issued and accepted in Lithuania.** Global trends show that payment cards are moving from their plastic form to smartphones (e.g., Apple Pay). A user could manage different brands using the same device, for example, use one brand for local transactions and another for international transactions. In order to initiate instant payment transactions, other than payment card technologies would be used; therefore, at points of sale that already accept payment cards, two different terminals would be used: one for instant payments, and another for payment cards. Fees and the service level would determine which type of terminals would become extensively available.

**Popularity of payment services would increase, if the opinion and expectations of users, regarding the direction and measures of payment service development, would be heard and taken into account.** The lack of structured dialogue and attention to the needs of the national market determine that services do not correspond to the expectations of clients and are less frequently used. Although payment services are affected by global and regional restrictions, in many cases there is a certain degree of flexibility that allows taking into consideration the needs of the local market. In some cases, it is beneficial for the local market to adopt good global practices, especially in cases when it comes to more advanced processes and technologies that provide more possibilities. However, there are examples when internationally-accepted solutions have little connection to the needs of the local market.

**Users trust in payment service providers and payment services are inseparable from the general legal environment, the benefits derived from the payment services, and pricing principles evaluating these benefits.** Initiatives to promote one or the other payment method are currently maligned on the grounds that such initiatives are beneficial for one group only — payment service providers. However, payment service benefits for the individual or society as a whole are still not estimated. Electronic payments, in many cases, are more secure than cash transactions, and also more convenient. Therefore, it is important to clearly show the possibilities of electronic payments, and to compare their advantages and disadvantages to cash transactions in different situations. Payment service fees should reflect the efficiency of payment methods and promote the use of those methods, which are less expensive to society.<sup>6</sup>

## Questions

Q3

Do you agree that strategic directions would help achieve the objective? Which strategic direction is the most important?

Q4

What alternative directions would help achieve the objective of the strategy?

Q5

Do you agree that instant payments are superior to international scheme payment cards? In which areas?

Q6

Do you notice the lack of attention to the needs of the national market from the payment service providers' side?

<sup>6</sup> See <https://www.ecb.europa.eu/pub/pdf/scpops/ecbocp137.pdf>.

To what extent is this important to the development of the payments market?

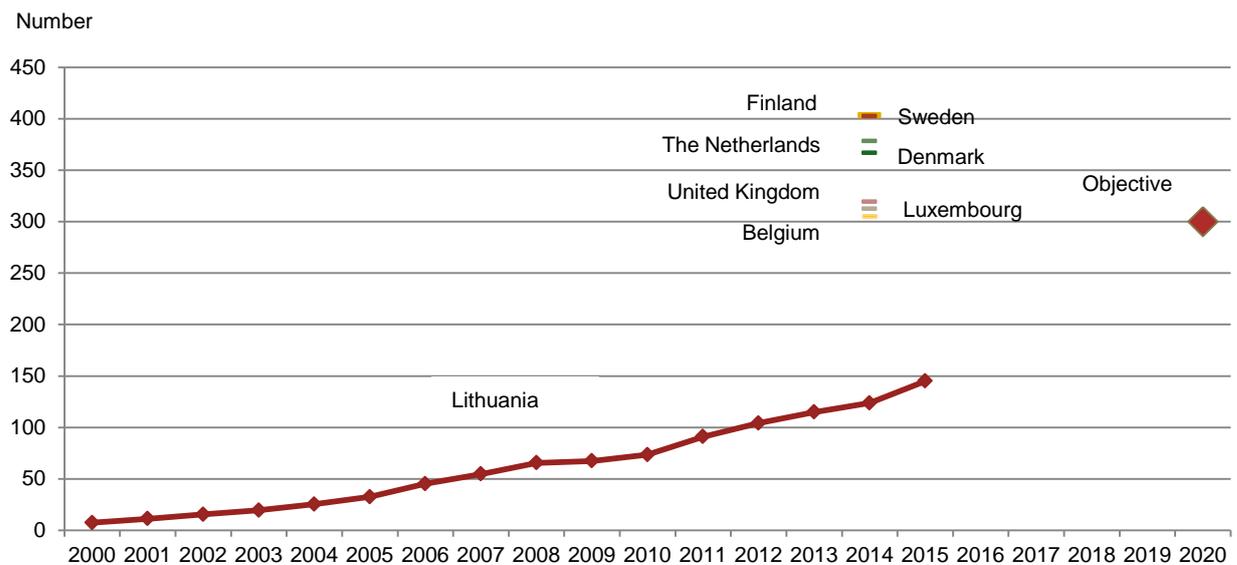
Q7 What are the advantages and disadvantages of electronic payments compared to cash payments?

### 3. OBJECTIVE MEASUREMENT

The objective of the strategy would be fulfilled if the number of electronic payment transactions in Lithuania by 2020 reaches or exceeds 300 transactions per capita per year.<sup>7</sup> In Lithuania, 145 payment transactions per capita were initiated in 2015 (see Chart 2). Considering the current market development trends, there are no indications that this number will double, i.e. without associating it with the implementation of the national strategy's directions and measures.

The characteristics common in the countries that reached or exceeded the 300 transaction limit are sought by Lithuania. This includes the development of common services, attention to the needs of the national market, timely implementation of innovations, competitive service pricing, user involvement in the development of services, etc. Seven EU countries exceeded the limit of 300 transactions in 2014: Finland (403), Sweden (402), the Netherlands (378), Denmark (367), United Kingdom (319), Luxembourg (312) and Belgium (305). The popularity of payment cards and, in some cases, national schemes and e-commerce transactions, allowed for most of these countries to achieve this result. It is more likely that the breakthrough in the Lithuanian market would be associated with contactless and instant payments, and smartphone technologies.

Chart 2. Number of transactions initiated through payment service providers per capita, per year, in Lithuania and in selected EU countries



Sources: ECB and Bank of Lithuania calculations

Note: Transactions of credit transfers, remittance, direct debit and payment cards, except e-money, are included.

### Questions

Q8 Do you agree that this measurement of the objective is related to the strategic directions? Is it not self-fulfilling?

Q9 What alternative measurement would allow the assessment of successful implementation of strategy measures?

<sup>7</sup> Payment transactions are initiated by companies, public authorities and individuals; however, for comparison purposes, it is common to divide the number of transactions by the number of residents.

## Current situation in the payments market

### 4. ADVERSE TRENDS FOR COMPETITION

Over the last decade, trends unfavourable to payment service users emerged in the Lithuanian payments market: market concentration was increasing, the three party model settled, service tying and client mobility restricting practices spread, pricing that increases market concentration is used frequently.

#### Market concentration

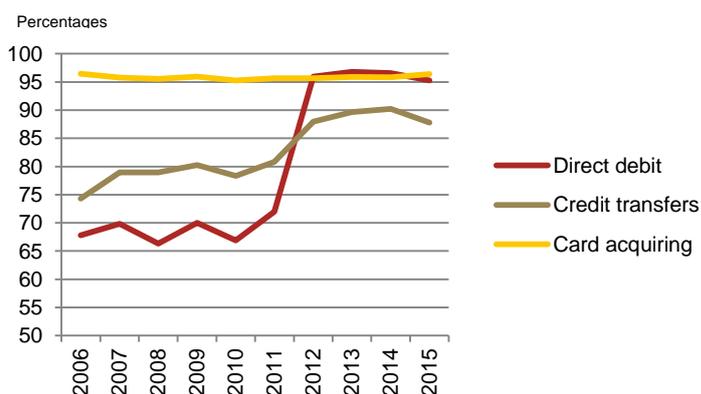
**The Lithuanian payment market is extremely concentrated and there is a risk that this will determine the competitiveness of the market.** The three major banks operating in Lithuania — *Swedbank, AB, AB SEB bankas* and *AB DNB bankas* — hold approximately 90 per cent of the payment service market (see Chart 3), and in 2015 the Herfindahl-Hirschman index ranged from 0.28 in the credit transfer market to 0.44 in the direct debit market.<sup>8</sup>

**The connection between concentration and competition is not unambiguous, but in the academic literature mostly a negative impact of concentration on competition is determined.** According to the market power theory, concentration or the market power of individual subjects results in higher prices for users and higher profits for banks. On the other hand, the efficient structure theory suggests that concentration is a result of the rapid growth of the most effective banks that can provide better prices for users. However, academic research confirms the first, i.e. the market power theory.<sup>9, 10</sup>

**Modern banks are complex business structures providing a wide range of financial services that can complement each other or artificially tie them.** In 2015, banks operating in Lithuania received two thirds of the net income from crediting activities (EUR 367 million), and a third from services and commissions (EUR 174 million).<sup>11</sup> Tying and grouping of services is common practice in banking activities. In some cases, it might be useful for users, as it allows all necessary services to be in one place. In other cases, particularly in the case of tying of services, the user's choice is reduced and the competition among banks on payment accounts and payment services related to them suffers. In granting mortgage loans or distributing other financial products, banks often set a requirement to have a payment account in that particular bank, from which funds could be debited or to which could be credited. Such a practice not only binds customers with a specific bank, but also limits their possibilities of reacting to changing payment account fees, even if the fees are later changed to the user's disadvantage. This allows for the stronger party — the payment service provider — to unilaterally alter the conditions of the payment account contract.

**Research shows that a relatively small number of customers consider the possibility of switching banks in search of better deals for payment services, and an even smaller number actually does so.** The Review of the Survey of the Habits of Lithuanian Residents in Using Payment Services<sup>12</sup>, conducted in Lithuania, showed that, in 2015, only 6 per cent of residents with an account considered the possibility of switching to another credit institution over the last 12 months; less than half of them actually did so. This is due to various reasons, including the already mentioned tying of services. Client's mobility, amongst other things, was restricted by still-underdeveloped payment account switching services.

Chart 3. Market share of *AB DNB bankas, AB SEB bankas* and *Swedbank, AB* among all the banks operating in the country



Source: Bank of Lithuania calculations

<sup>8</sup> When the index exceeds 0.25, it is considered that the market is highly concentrated.

<sup>9</sup> Heffernan S. and Fu X. 2009: 'The structure of retail markets: what do we learn from bank-specific rates?', *Applied Financial Economics*.

<sup>10</sup> See [https://assets.digital.cabinet-office.gov.uk/media/559fdbee5274a155c00005a/Literature\\_review.pdf](https://assets.digital.cabinet-office.gov.uk/media/559fdbee5274a155c00005a/Literature_review.pdf).

<sup>11</sup> See [http://www.lb.lt/banking\\_activity\\_review\\_2015\\_q4](http://www.lb.lt/banking_activity_review_2015_q4)

<sup>12</sup> See [http://www.lb.lt/lietuvos\\_gyventoju\\_mokejimo\\_iprociu\\_apklausa\\_apzvalga\\_2015\\_m](http://www.lb.lt/lietuvos_gyventoju_mokejimo_iprociu_apklausa_apzvalga_2015_m).

## Questions

**Q10** How did the concentration of the banking sector affect the competitiveness of the payments market in Lithuania?

**Q11** Did you encounter the practice of the tying of banking services? What services were tied? If tying included payment services, did the payment service conditions change later? Did the payment service conditions improve (or worsen) in respect to the user?

**Q12** Do you agree that competition would be increased by the smooth running of a payment account switching service?

### *Three party model*

**The three party model is the feature of the Lithuanian payments market that all payment service users are faced with.** If a payer paid for utility services via internet banking (utility payments collection service), paid in a Lithuanian e-shop (Bank link type service) or chose to pay for electronic invoices automatically from the banking system (e-invoice payment service) at least once, the payment service was determined by the three party model. It is characteristic that the payment service provider provides the service only if it has a contract with the payer and the payee (see Chart 4). If a contract with at least one of the parties does not exist, the payment service is not provided or is of inferior quality. In practice, this means that an individual and a company must be customers of the same payment service provider. Usually, companies are forced to have contracts with most banks, thus, they are most affected by the three party model. However, there are some cases when individuals are also asked to adapt to the needs of a company, i.e. to open a payment account in the same bank as a company (e.g., this may be one of the conditions for the non-cash payment of a salary).<sup>13</sup> The three party model has negative consequences also for the whole market in general, since some deals may not happen because the payer and the payee are not customers of the same bank.

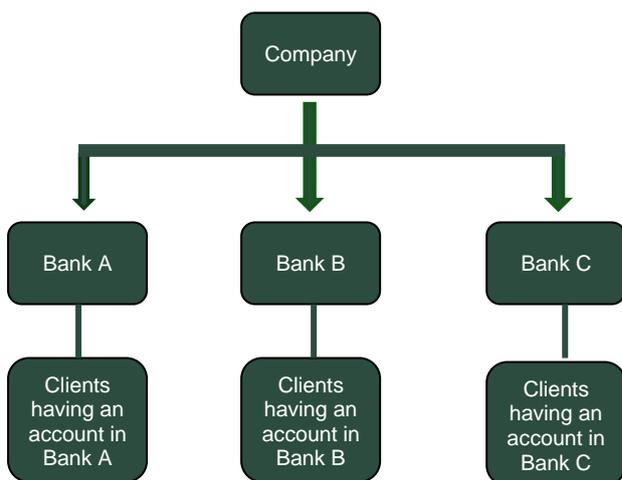
**The three party model is an extremity for the payments market and often economically disadvantageous for users; it reduces their bargaining power and limits mobility.** This model increases costs for companies, since a company needs to acquire contracts and/or open payment accounts in most banks, to develop technical interfaces (often different) with various banks and integrate them into the company's information technology (IT) systems. Since a company is forced to operate through most banks, it reduces its bargaining power. Surplus interfaces, for a higher price than it could be, increases the price of payment services for a company and increases general costs. In addition, the links created between the payer and the payee limit the freedom of individuals to choose a better deal provided by another payment service provider, because another payment service provider may not be suitable for the company due to pricing or lack of IT integration. The three party model forces companies and individuals to use the same payment service provider; however, it does not necessarily correspond to their individual interests.

**The three party model promotes reticence of a system and restricts competition since it creates artificial barriers for new payment service providers.** For example, in order to offer the payer, a fully-fledged utility payments collection service by applying the three party model, a new entrant to the market should acquire contracts with a number of companies (payees). This would create a significant administrative barrier. In addition, not all companies would be willing to acquire another (in addition to already existing) contract with a new payment service provider. 'All or nothing' conditions work to the detriment of new entrants to the market and limit competition.

**Self-fulfilling assumptions led to the establishment of the three party model.** As an alternative, a four party model could operate (see Chart 5), but interbank infrastructure and standardised rules are necessary. Even so, market participants, especially larger ones, do not always have the incentive to implement such measures. Therefore, no action is taken and the market remains more fragmented and less competitive. The emergence of intermediaries in some markets, such as direct debit, show that it was important for Lithuanian companies to have a single access. Intermediaries ensured technical interfaces with different payment service providers; therefore, the one stop shop principle for companies was formed. However, intermediaries have failed to ensure fee arbitration, as they depend on the price set for them by the payment service providers.

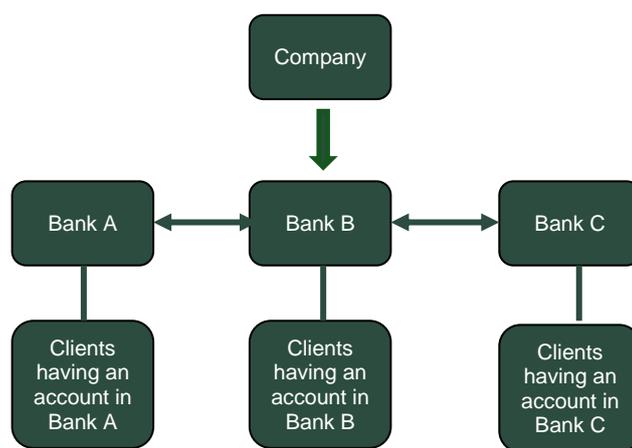
<sup>13</sup> EU Regulation (260/2012) entitles the payee to indicate the payment account located in any Member State, if that account can be reached for the SEPA credit transfer operations. Restriction of this right would contradict the Regulation.

Chart 4. Three party model



Source: The Bank of Lithuania.

Chart 5. Four party model, ensuring the one stop shop principle



Source: The Bank of Lithuania.

## Questions

**Q13** Do you agree that the three party model is not beneficial for users?

**Q14** Do you agree that the one stop shop principle and the four party model that ensures it is beneficial for users?

**Q15** In which payment services that you use do you miss the one stop shop principle the most (e.g., Bank link, utility payments collection)?

**Q16** Who should ensure the creation of interbank infrastructure and development of standardised rules? Should ensuring the one stop shop principle become a mandatory requirement for payment service providers?

## Pricing that increases concentration

**Pricing principles, contributing to a further increase in concentration, prevail in Lithuania.** SEPA standardisation led to payment service providers, providing some of the payment services, having to give up the three party model to ensure technical interfaces with other banks. For example, until the implementation of SEPA (January 2016) an employee salary payment service for companies was available only if the beneficiaries of a salary were customers of the same bank (three party model). Currently, there is no such technological restriction. Another example is the former direct debit service. In order to use it, companies had to acquire contracts with a number of payment service providers (either directly or through an intermediary). This service has been changed by the e-invoice payment service, which is not characterised by this technical formality. However, even though technical restrictions are decreasing, there are still pricing barriers, which prevent the one stop shop principle from operating fully. It is common practice in Lithuania to set a different commission fees for crediting funds into a payee's account when funds are transferred between the customers of the same payment service provider and when funds are transferred from another payment service provider. When funds are transferred between customers of the same payment service provider, commission fee for crediting funds to the account is not applied; otherwise, the standard EUR 0.35–0.41 commission fee is applied. This has a significant impact on the behaviour of payers and payees. In order to avoid interbank payments, the payer and the payee negotiate directly or indirectly on the use of the same payment service provider. Individuals will, most likely, avoid such an inconvenience if they open an account in one of the larger banks. Different fees are also applied on the initiation of payment transactions. To initiate a SEPA credit transfer online to a payee in another bank, the cost is almost twice as much as in the same bank (EUR 0.35–0.41, compared to EUR 0.20–0.29). It also promotes the execution of payment transactions only within the bank, with the highest probability of such transactions occurring in the largest banks. Therefore, this leads to concentration of the payments market.

## Questions

Q17 Do you agree that pricing in Lithuania encourages an even greater concentration of the payments market?

Q18 What pricing policies would increase competition in the payments market?

Q19 Are there any other aspects (excluding interbank interfaces and pricing) preventing the implementation of the one stop shop principle in the payments market?

### *Limited possibilities of non-bank payment service providers*

**In the field of electronic services, payment and electronic money institutions do not form fully-fledged competition for banks and so far they are considered as niche players of the market.** The prevailing service provided by the payment institutions is the collection of resident payments in cash for utilities and other regular services. However, since the popularity of cash transactions in the country is decreasing, the payment institutions operating in this segment of the market will face the challenge of diversifying their activity. Electronic money institutions focus on the issuing and redemption of electronic money, as well as e-money payment transactions. The main difference between electronic money and funds held within banks is that electronic money is not considered to be a deposit and, accordingly, alternative safeguarding measures are applied for these funds. Electronic money institutions have the equivalent theoretical possibilities as those of banks for the provision of payment services; however, in practice, most of the electronic money institutions operating in the country face problems that halt the possibility of development. For example, none of the payment or electronic money institutions directly issue international scheme payment cards. In addition, they are not involved in the payment card acquiring business. Without issuing of payment cards, non-bank payment service providers are not considered to be equivalent competitors to banks. The survey shows that only approximately 5 per cent of residents in the country, who are older than 18, use services provided by electronic money institutions.

## Questions

Q20 Do you agree that non-bank payment service providers are not yet fully-fledged competition for large banks?

Q21 What are the barriers limiting their possibilities?

Q22 Do non-bank payment service providers cooperate enough in solving similar problems?

## **5. THE LACK OF DIALOGUE REGARDING THE DIRECTION OF PAYMENT SERVICE DEVELOPMENT**

**The lack of dialogue between payment service providers and their customers regarding the direction of the payment service development leads to the fact that payment services do not always meet customer expectations.** For example, in implementing SEPA requirements, some of the payment service providers decided to use a payment system operating outside of Lithuania; however, the interbank payments in this system are slower than those in the analogous system operating in Lithuania. For this reason, interbank payments in the country became slower. These decisions were taken without consulting customers and without evaluation of the influence of slower settlement on their business processes. Some other examples of the lack of cooperation between payment service providers and users were also found: functionality of e-invoice submission and payment services, decisions not to develop a SEPA direct debit service, and different account statement specifications used by payment services providers.

**In other countries, closer cooperation between payment service providers and their customers allowed greater development in electronic payments.** In the Netherlands, it resulted in agreements between banks and merchants on the creation of conditions necessary for the payment card market development (lower interchange fees).<sup>14</sup> Cooperation between Danish banks and merchants encouraged them to share national payment card operating costs, while in Finland

<sup>14</sup> See [http://www.dnb.nl/en/binaries/fe\\_tcm47-311635.pdf](http://www.dnb.nl/en/binaries/fe_tcm47-311635.pdf).

it helped create a dynamic environment for e-invoice use. Banks and enterprises do not necessarily have to reach a common ground. However, practice shows that the payments market is more developed in those countries that have encouraged constructive dialogue between banks and customers.

## Questions

**Q23** How do you evaluate the current level of cooperation between payment service providers and users? How does it affect the development of payment services in the country?

**Q24** What areas in particular are lacking in dialogue?

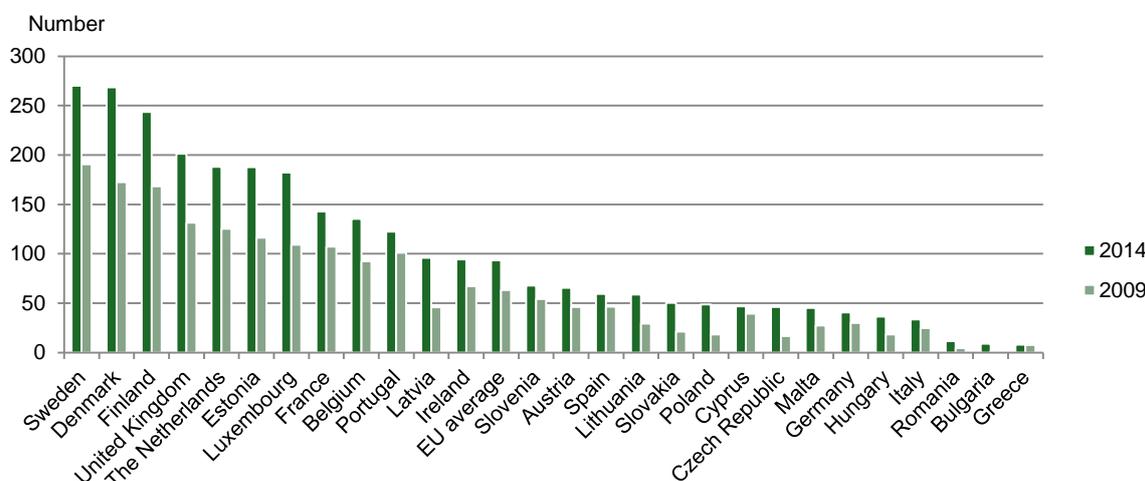
## 6. LIMITED USE OF PAYMENT CARDS

**Payment cards are so far the only fully-fledged alternative to cash when paying at points of sale.** Payment cards of three international payment card schemes are issued in Lithuania, namely VISA, MasterCard and American Express. In Lithuania, the payment card market is concentrated, especially in relation to the card transaction acquiring service. Almost all banks and the majority of credit unions active in the payments market issue payment cards; however, according to the number of issued payment cards, three major card issuers accounted for 91 per cent of the market; and 93 per cent, according to the number of payments with cards issued by them. Concentration is even greater when providing the card transaction acquiring service for merchants. Here three major banks processed 96 per cent of all the number of card payments at POS-terminals.

**The number of card payments has increased in recent years; however, Lithuania is well below the EU average.** The number of payment cards issued in Lithuania is higher than the number of residents (at the end of 2015 there were 1.2 payment cards per capita). According to the data of the Survey of the Habits of Lithuanian Residents in Using Payment Services, conducted in 2015, 92 per cent of the respondents having an account in a credit institution had at least one type of payment card. However, compared to other EU countries, card payments are rarely used in Lithuania — the number of payments per capita in the EU is almost 60 per cent greater, whereas the numbers in some EU countries are 3–4 times greater (see Chart 14) than in Lithuania.

**Even though banks view payment cards as the main substitute for cash transactions, there are still doubts over the long-term perspectives on the usage of payment cards.** In recent years, Lithuania lagged significantly behind other Baltic-Nordic countries in terms of the intensity of payment card usage; the lagging behind in absolute terms was growing as well. The payment card infrastructure and its elements (acquiring of transactions, card scheme charges, certification of devices, and data security audit) remain rather expensive in comparison to other payment services, and the market is highly concentrated. This leads to major barriers to entering the market that reduce the competitive pressures for market leaders; hence, the functional potential of payment cards remains unexploited.

Chart 6. Number of payment transactions by cards per capita, per year



Sources: ECB and Bank of Lithuania calculations

## Questions

Q25

Do you agree that the payment card infrastructure and its elements are economically too expensive for smaller players in the market?

Q26

What are the reasons for this?

## 7. LOWER SECURITY OF ELECTRONIC FUNDS IN THE ENFORCEMENT PROCESS

**So far, funds in a payment account and cash have been treated differently in the enforcement process. This can give an impression that electronic funds are less secure.** Legislation entitles the tax administration authorities and bailiffs to perform proceedings of giving the enforcement orders. The legislators have created a list of assets that cannot be used for the fulfilment of the enforcement order towards private person (Article 668 of CCP), and the enforcement order cannot be applied on funds that are less than one average monthly salary — this has been determined by the Government (p. 93 of the Enforcement Instructions). However, courts interpret these provisions differently: some of them treat that this immunity protection applies only to cash (civil case No. 2 S-193-347/2016, 2S-289-357/2016), others — that this limitation is possible for any funds (2S-730-656/2015). In addition, there is no general provision on how to treat the funds already held in the account, and what type of evidence the person in debt must provide to demonstrate that the funds are necessary for essential and vital needs.

**During the enforcement process, the tax administration authorities prefer funds in an account.** Tax arrears can be recovered by force by giving an order to the payment service provider to debit the sum of tax arrears from the person's account (Article 106 of the Law on Tax Administration). This order must be executed in full, i.e. the account is blocked and the principle in respect of amounts to which the enforcement cannot be implemented, is not applied. In this case, the fact that the funds are necessary for essential and vital needs is not taken into account. More than one case was reported by the press, of instances where a person learnt about a blocked account only when trying to pay at a point of sale. Sometimes there are cases where an account is blocked by mistake, as happened in 2015 when the Monetary Fund Restriction Information system (PLAIS) started to operate. Sometimes it takes time until the account is unblocked, even though the debt has already been paid.

## Questions

Q27

Do you agree that the enforcement process partly discriminates against people who use electronic payments?

Q28

What measures would ensure a balance between an effective enforcement process and public trust in the means of payment?

Q29

What are the other measures that would help strengthen the trust of residents and companies in electronic payments?

## 8. BARRIERS TO INNOVATION

**Payment service providers in Lithuania, compared to Scandinavian countries, are slower to invest in contemporary payment innovations; usually they are only implemented when faced with legal regulation.** The new e-invoice submission and payment service came about due to the need to implement SEPA requirements, and investments in contactless card terminals begun due to compulsory requirements set by international card schemes (VISA, MasterCard). For example, in the Czech Republic contactless cards were issued four years ago, and even earlier in Poland. The first card terminal linked to a smartphone in Lithuania was proposed only in the summer of 2016; meanwhile, in Sweden, analogous devices have been distributed since 2013. Unlike in the Scandinavian countries, not a single interbank instant payment solution, which would ensure transfer of the payer's funds to the payee within a few seconds,

has been implemented in Lithuania. The innovation implementation rate can be considered as an estimate of market competition, resulting from the market disadvantages: concentration, three party model, lack of standardisation.

### Questions

**Q30**

Do you agree that innovations reach the Lithuanian payments market later than the other Nordic and Baltic countries? What are the factors that might influence it?

**Q31**

What could encourage the development of innovations in Lithuania?

## Suggested measures

In order to achieve the objective and intended directions, six measures are suggested (see Table 1). They are proposed with the aim of solving the identified problems in the payments market; and after evaluation of worldwide payment trends and technological possibilities.

Table 1. Summary of the suggested measures

Measure	The problems it would help solve
Development of new brands that would realise instant payments	The lack of competition, technical incompatibilities, slow innovation implementation, the absence of an alternative to payment cards
Development of infrastructure that enables instant payments	The lack of competition, technical incompatibilities, slow innovation implementation, the absence of an alternative to payment cards
Standardisation initiatives	The lack of competition, technical incompatibilities, slow innovation implementation, the lack of dialogue (insufficient involvement of users)
Establishment of the Payments Council	The lack of dialogue with regard to the payment service development direction (insufficient involvement of users)
Alternatives to cash in primary and secondary education institutions	Cash usage habits, slow innovation implementation
Publicity on electronic payment possibilities and user education	The lack of trust in payment services

Source: The Bank of Lithuania.

### 9. DEVELOPMENT OF NEW BRANDS THAT WOULD REALISE INSTANT PAYMENTS

**A payment scheme implementing new brands should be available in Lithuania, which would be economically attractive for non-bank payment service providers and would be based on the technology of contactless and instant payments.** This measure would implement the first strategic direction and would help solve the problems of market concentration, the three party model and innovation implementation, and would result in an alternative to payment cards. Payment scheme implementing the brand (see Chart 7) would help balance the interests of payment service users and providers; while established business rules and technical measures would help to solve the problem of technical coordination. An alternative payment scheme could consolidate more than 40 non-bank payment service providers operating in the country, as well as other payment service providers; it would allow to diversify activities and give a chance to compete with the dominant payment service providers.

**Functionality of instant credit transfers, being prepared by the European Payments Council, should be the base for the new brands.** These EU<sup>15</sup> solutions will be introduced in November 2017, and will be the basic service under the basis of which it will be possible to develop additional services at the national and EU level. The basic level of the service will include instant credit transfers in euro within the country and to other EU countries.

**By adding additional elements to instant credit transfers it is possible to ensure different payment needs, as well as create a substitute for traditional payment cards.** Basic instant payment functionality will allow the implementation of particularly rapid payments of individuals paying to other individuals, thus replacing cash. After the introduction of additional elements (e.g., preparing terminals or implementing QR technology in e-commerce), instant payments can be used for payments, when an individual pays for business in physical locations and online. It would provide an alternative to traditional payment cards. In addition, development of an alternative network of ATMs or self-service terminals should be considered.

**A payment scheme, open to the greatest number of payment service providers, would help standardise additional elements.** Without it, there is a risk that every payment service provider will develop an individual service, non-compatible with another service provider's service, and an alternative standardised network of terminals at the points of sale will not be created in the country. Establishment of a new common brand of instant payments and rules related to it in the country would get this risk under control. The manager of such a brand would have to ensure that the issuance and acquiring of payment instruments would be economically attractive for a large number of payment service providers. Payment service providers have different strengths (payment institutions and electronic money institutions have a large number of client service offices, credit institutions may assume more risk operating in the area of acquiring at points of sale), so connecting

<sup>15</sup> See <http://www.europeanpaymentscouncil.eu/index.cfm/sepa-instant-payments/sct-inst-consultation/>.

them is critically important for the success of payment scheme operation. Increased competition and usage of open standards would create pressure on payment service fees and encourage the payment instrument's popularity.

**There are various payment scheme management models, classified according to the degree of involvement of payment service providers in management and partnership with the public sector.** Intellectual property of the scheme (brand, rules, technical measures) usually belong to a legal person. Payment service providers, distributing the products of a particular brand, can be involved in management as shareholders or independent board members; however, relations between the manager of a payment scheme and users based on business only, are also possible (e.g. MasterCard model).

**The Bank of Lithuania itself would consider the possibility of developing and managing a payment scheme.** In order to represent the interests of society and to ensure the extensive use of services, the Bank of Lithuania itself can develop an open payment scheme of instant payments. Moreover, it would allow market participants to contribute to the development of the payment scheme.

### Box 1. The Portuguese experience

In 1983, commercial banks operating in Portugal established the SIBS group. Its business model is based on the development and management of the interbank infrastructure. The goal was to optimise the fixed costs of payment services (fixed costs prevail in the provision of payment services). SIBS manages the national payment card schemes, supports the necessary technical infrastructure, provides services outsourced by payment service providers. Currently, the SIBS group manages the payment system, the Card Transaction Processing Centre, ATM and POS network, certification centre and other infrastructure elements.

The common infrastructure, the national payment card scheme managed by local market participants, the competitive environment have created favourable conditions to develop this particular payment method. For example, individuals who use payment cards can perform more than 100 different payment transactions at ATMs (pay for utility bills, purchase a variety of permits, to perform transfers of funds, etc.). SIBS has also developed advanced technological solutions for the automatic collection of road tolls and secure online payments. This led to the fact that in 2014 there were 122 payment card transactions per capita in Portugal, meanwhile, in Lithuania, at the same time there were 59 transactions per capita.

Chart 7. Main elements of the payment scheme



Source: The Bank of Lithuania.

### Box 2. E-invoice submission and payment scheme in Lithuania

In 2015, in preparation to discontinue the direct debit service, which did not comply with legislation, banks operating in Lithuania agreed on a new e-invoice submission and payment scheme. For this, the owner of the scheme, the Association of Lithuanian Banks, established a technical messaging standard, standardised e-invoice submission and payment process, duties of participants and other elements necessary to ensure the credibility of the scheme. Scheme participants compete for customers by a variety of payment methods, pricing, online banking services, customer consulting quality.

The e-invoice submission and payment service allows companies to provide e-invoices for the customers of all payment service providers by using the service of only one payment service provider, i.e. the one-stop shop principle is technically guaranteed. However, in practice, some of the payment service providers have set a pricing deterrent to the one-stop principle functionality, due to which it is commercially unprofitable for the company to send invoices to another bank. It has damaged the reputation of the scheme.

## Questions

**Q32** Do you agree that a payment scheme implementing new brands, would reduce the entrance barriers for non-bank payment service providers and thus would increase competition in the payments market?

**Q33** Do you agree that new brands should be based on the functionality of the instant credit transfers being prepared by the European Payments Council?

**Q34** Do you agree that adding additional elements to instant credit transfers would allow a substitute for traditional payment cards? Would it be beneficial to the Lithuanian payments market?

**Q35** Should the payment scheme be open and should as many payment service providers as possible participate in its development process?

**Q36** What kind of payment scheme management model would you suggest? What would you think if the scheme is developed and managed by the Bank of Lithuania?

## 10. DEVELOPMENT OF INFRASTRUCTURE THAT ENABLES INSTANT PAYMENTS

**In order for the payment scheme implementing new brands to be economically attractive for non-bank payment service providers, it must operate on the basis of an open and commercially accessible infrastructure.** The first strategic direction would also be implemented by this measure; also it would allow instant payments. Smartphone application will not be enough for the functioning of instant payments, a whole system of new and interactive infrastructure elements (see Chart 8) will be necessary. For example, the payment service provider will have to join the interbank payment system to transfer payments to another market participant. There are already several functioning payment systems outside Lithuania that announced plans to ensure the functionality of instant payments in 2017. Nevertheless, the conditions of participation, especially for non-bank payment service providers, are not always consistent with their capabilities.

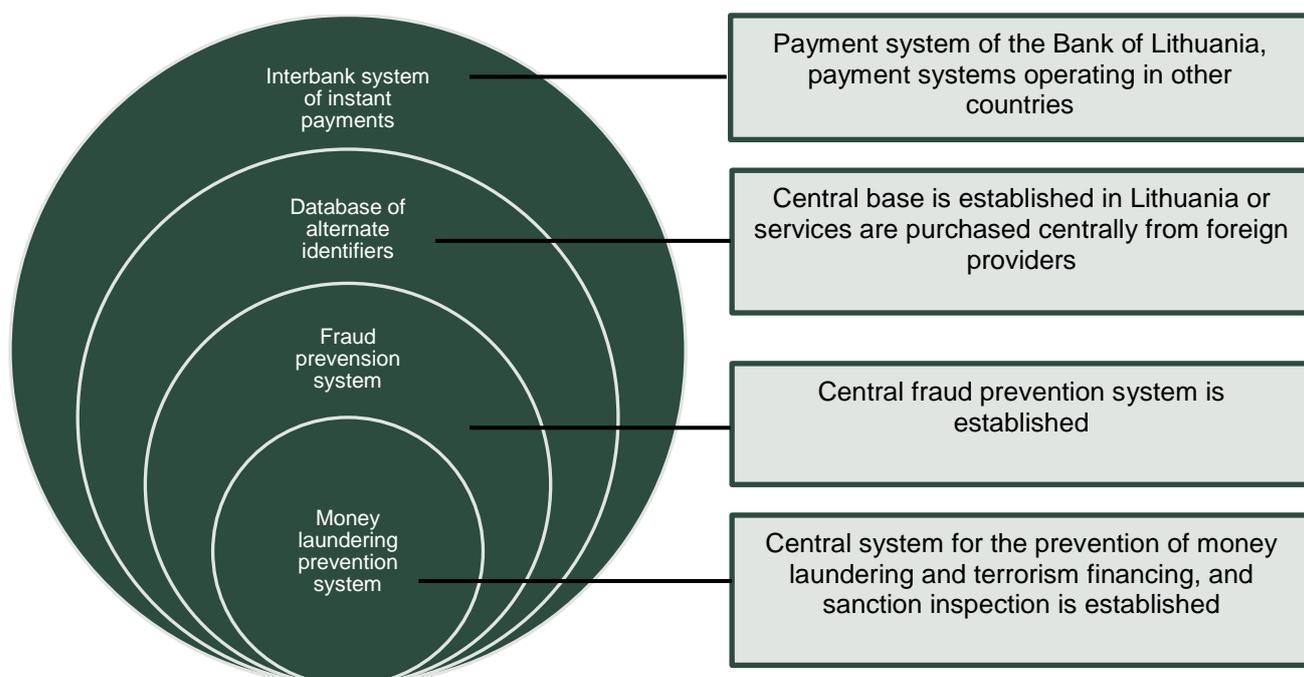
**Conditions allowing non-bank payment service providers to use services of the Bank of Lithuania payment system have paid off.** In the payment system intended for the ordinary SEPA credit transfers which is created by the Bank of Lithuania, non-bank payment service providers can submit payment orders themselves and avoid banking intermediation. Currently, three institutions use this option; however there is immense interest from other institutions, however this system is not adapted to instant payments yet.

**A database of alternate identifiers is necessary, so it would be easier for payers to initiate an instant payment order.** A payee's phone number, e-mail or social network profile could be used instead of the usual IBAN number (20 characters). They, in turn, would be linked to the IBAN. One such central database in Lithuania is necessary, which should be connected to the corresponding databases in other EU countries, so accessibility to the EU would be ensured. Currently, such a database does not exist.

**Other infrastructure elements, if implemented by using a single common solution, would reduce entrance barriers for smaller payment service providers.** Fraud, money laundering and terrorist financing may be prevented, and SWIFT connection can be implemented by individual decisions in each institution. However, through a common infrastructure solution, it is possible to reduce an institution's costs and, thereby, reduce the entrance barriers.

**The Bank of Lithuania offers its services in dealing with infrastructure development.** The Bank of Lithuania is ready to develop an instant payments system in Lithuania and to establish conditions to reach payment service providers in other countries through this system. In addition, the Bank of Lithuania is ready to consider the development possibility of other infrastructure elements; however, it has not ruled out that such services could be purchased from third parties under long-term contracts.

Chart 8. Infrastructure elements of instant payments



Source: The Bank of Lithuania.

## Questions

Q37

Do you agree that all the major infrastructure elements necessary for the implementation of instant payments are listed?

Q38

Do you agree that the implementation of infrastructure elements by using a single common solution would reduce entrance barriers for smaller payment service providers? What are the unexpected consequences which might be caused?

Q39

Who should implement the infrastructure elements? In what form? How should these elements be managed?

## 11. STANDARDISATION INITIATIVES

**Standardisation of payment services encourages payment service providers to compete in terms of the service price and ensures the one stop shop principle, thus contributing to the development of a competitive and open payments market.** This measure implements the first strategic direction and would help to solve the problems of market concentration, the three party model and innovation implementation issues. Standardisation is beneficial for the public when it goes hand-in-hand with close cooperation between payment service providers and their customers, as well as reconciliation of interests. The market regulator may act as an independent broker.

**There are several areas where additional technical standardisation would be useful. This includes, but is not limited to, electronic identification, Bank link services, and technical interoperability of payment initiation services.** Electronic identification schemes are still fragmented. Unlike common practice in the Nordic countries to use a common means, in Lithuania, each payment service provider issues individual means to connect to internet banking. Only with the emergence of third-party solutions (an identity card with a certificate, a SIM card with a certificate), can users reach electronic services of different payment service providers with the same instrument. However, different means issued by banks continue to dominate (paper cards, generators). Another area is the Bank link service. When carrying out non-cash payments for e-commerce transactions, Bank link services provided by banks are prevalent in Lithuania. In providing this service, a buyer is directed from the website of the merchant to a restricted internet banking website of the bank, with which it has an account, and there executes a payment transaction. Currently, such services are provided only under the three party model, i.e. when the banks of the payer and payee are the same. In the standardisation of Bank link

technical interfaces and adjusting them to the four party model, companies could take the advantage of the one-stop shop possibility by using this service. In addition, the technical interoperability of a new payment initiation service is important. The principles of this intermediation service are defined in the EU Directive on Payment Services in the Internal Market.<sup>16</sup> The requirements laid down in the Directive should come into force in January 2018. The payment initiation service is often based on the following principle: instead of being directed from an online shop to a bank, as it is usually the case now, a buyer will be directed to a payment initiation service provider. Hence, any e-shop will be able to acquire only one contract with a payment initiation service provider instead of acquiring several contracts with different banks. A payment initiation provider will support interfaces with a number of payment service providers who may form applied applications interfaces (API) on the basis of different standards. The interface standardisation contributes to the development of payment initiation services in Lithuania.

**Standardisation of technical solutions should be given constant attention. The Bank of Lithuania is ready to mediate in the standardisation of business processes necessary for the payment development.** The Bank of Lithuania accumulated experience during the SEPA technical standardisation, as well as participating in other EU standardisation initiatives, and is willing, together with the Lithuanian Standards Board, to act as an independent broker.

### Box 3. Technical specification of payments

Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 (SEPA regulation), which came into force on 1 January 2016 in Lithuania, also had an impact on the service of utility payments collection using internet banking. Preparing for the changes, market participants expressed the need to have a common technical specification for information collection through special forms and transmission to the payee by the SEPA credit transfer. This would allow payees (companies) to reduce the costs of preparation to accept utility payments (the information obtained from different payment service providers would be processed by the same algorithm), allow to negotiate on lower payment collection fees (payment service providers should compete on price rather than different technical solutions) and to help reduce the number of contracts with the payment service providers (companies could receive funds and information in accordance with the technical specification also from those payment service providers with whom they do not have contracts).

Taking into account the call of company representatives to be the coordinator of the process, the Bank of Lithuania established an informal working group with the objective to develop a project of Lithuanian technical specification. Representatives from interested companies, associations and payment service providers participated in the group. Group members developed the technical specification project, which was supported by an absolute majority of group members. The project was presented to the Lithuanian Standards Board and approved in accordance with the applicable standard procedures.

### Questions

Q40

Do you agree that the mentioned areas require additional technical standardisation? What are the other areas that still lack common standards?

Q41

Are the procedural measures provided by the Lithuanian Standards Board enough?

Q42

Would the Payments Council (see the following measure) be the right place to decide on new standardisation initiatives?

## 12. ESTABLISHMENT OF THE PAYMENTS COUNCIL

**In order to ensure a dialogue between payment service users and providers, the formation of a Payments Council in Lithuania has been suggested.** The second strategic direction is implemented by this measure. The Payments Council would function as an advisory body to the Bank of Lithuania. The essential objectives and main composition of the

<sup>16</sup> 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 (OJ 2015 L 337, p.35).

Payments Council would be indicated in the Law on Payments of the Republic of Lithuania. The Council could seek the following objectives:

- To allow companies and consumers to analyse the problematic aspects of payments market systematically and concertedly, and to make proposals on solutions;
- To monitor the implementation of the National Payments Strategy and make proposals for its amendments;
- To identify areas where standardisation initiatives are necessary;
- To form users' position in EU initiatives.

Business and consumer representatives, scientists, payment service providers and public sector representatives would be invited to participate in the Payments Council. It would meet several times a year and could establish target working groups for specific tasks.

## Questions

**Q43** Do you agree that the Payments Council would help to fill the lack of dialogue between users and payment service providers?

**Q44** Do you agree that the Payments Council would be an advisory body to the Bank of Lithuania? What should be its objectives?

**Q45** Which subject representatives should participate in the Payments Council activity?

## 13. ALTERNATIVES TO CASH IN PRIMARY AND SECONDARY EDUCATION INSTITUTIONS

**Lithuanian pupils and their parents need alternatives to cash in educational institutions.** This measure implements the third strategic direction and it would help solve the stumbling electronic payment development in schools. When paying for paid services provided in schools (e.g., canteen, copying services), usually the only payment option is cash. In this way more than 300 thousand pupils form habits of exclusive cash usage, and the advent of innovations in educational institutions is halted. The existing specifics of the sector (pupil capacity issue, non-requirement of cash registers in canteens, schools belonging to different municipalities) complicate the development of possible solutions.

The Bank of Lithuania is looking for partners from central and local governments, schools' communities, and payment service providers who would contribute to the project for determining of the most suitable alternative to cash and the creation of conditions for the development of such solutions.

## Questions

**Q46** Do you agree that cash dominates in educational institutions? Is this a problem?

**Q47** What measures would allow the spread of electronic payments? Can you contribute to the implementation of those measures?

## 14. PUBLICITY ON ELECTRONIC PAYMENT POSSIBILITIES AND USER EDUCATION

**Technologies used for payments take on new forms. With the rapid speed of change, payment service users can easily get lost.** Users do not completely understand how one payment instrument is different from the other, what is the difference between user rights and responsibilities and associated risks. Lack of information often reduces trust in payment services, and the solutions about which payment method to use are not necessarily justified. In this environment an adequate role should be given to public education and publicity of payment service possibilities. The Payments Council could be the place where, among other things, payment innovation would be regularly reviewed and electronic payment possibilities would be presented.

**Other forms of information dissemination are also important, particularly those which would complement the knowledge of pupils about payment services.** This knowledge could include not only information on how new electronic alternatives to cash will operate (see the previous measure), but also the means of payment, which will be necessary in independent life. The Bank of Lithuania is looking for partners with who would consider programmes of different scope and regularity for the publicity of payment possibilities and user education.

#### **Box 4. The project 'Young Wallet'**

In May 2016, The Bank of Lithuania, together with the Public institution '*Mokymosi mokykla*', Ministry of Education and Science of the Republic of Lithuania, and the Education Development Centre, initiated the project 'Young Wallet'. The project aims that financial literacy education in schools would be organised according to the real needs of children, teachers, parents, the whole school community, and interested parties. Project participants will have the opportunity to contribute to the discussion with their ideas, suggestions and creativity on how to develop children's financial literacy in a topical, interesting, and, most importantly, lively way. During the workshop, a discussion on how to communicate the real meaning of money to children will take place and how to encourage conscious behaviour with money; for example, how to develop financial literacy and awareness in school so that it would be interesting, relevant, lively and would encourage a change in attitude towards personal finance management and behaviour. The project continues with a financial literacy contest in all the schools in the country.

#### **Questions**

**Q48**

Do you agree that trust in payment services would be strengthened by additional knowledge about electronic payment options and risks?

**Q49**

Which coordinated programmes would ensure this? Can you contribute to the development and implementation of these measures?

**Q50**

Is it important that knowledge about electronic payment possibilities and risks should be included in education programmes?