How to properly get ready for licensing

To ensure smooth licensing process, we have prepared practical guidance for the newcomers of the financial market on the proper preparation for the process. We hereby provide examples of the most frequent mistakes and remarks given during the licensing process, also, examples of best practices. This guidance will hopefully be useful to you.

Detailed information on 'How to obtain a licence' is available HERE.

You can find a dedicated section for the newcomers of the financial market HERE.

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Of relevance to all participants of the financial market

1. **If you are using cloud computing services, check whether providers of these services do not qualify as third party service providers. Remember that agreements with such service providers are subject to specified requirements.**

Well know providers of cloud computing services, such *Amazon* or *Google Cloud*, are to be considered as third party service providers.

Requirements for agreements with third party cloud computing service providers are defined in the following legislation:

- Part II of Annex 11 to the Rules on the Licensing of Electronic Money and Payment Institutions, as approved by Resolution No 238 of the Board of the Bank of Lithuania of 24 December 2009;
- Rules on Outsourcing, as approved by Resolution No 99 of the Board of the Bank of Lithuania of 10 June 2004;
- Requirements for Electronic Money and Payment Institutions Concerning Internal Control, Risk Management and Protection of Received Funds, as approved by Resolution No 247 of the Board of the Bank of Lithuania of 30 December 2009;
- Description of Requirements for Payment Service Providers Concerning Operational and Security Risk Management, as approved by Resolution No 03-264 of the Board of the Bank of Lithuania of 20 December 2018.

Also, it is of relevance to know that:

- in accordance with the Guidelines of the European Banking Authority on Outsourcing, a new resolution of the Board of the Bank of Lithuania is currently being drafted with regard to the requirements applicable to outsource service providers;
- in accordance with the EBA Guidelines of 28 November 2019 on ICT and Security Risk Management, a new resolution of the Board of the Bank of Lithuania is currently being drafted with regard to the description of requirements concerning ICT and security risk management.

2. **Make sure that your designated person responsible for information security is independent (i.e. s/he is not subordinate to the IT manager and is not related to any ongoing IT processes).**

It is important that tasks related to information assurance are performed independently from IT processes and functionalities, as they comprise the second, control-related line of defence, meanwhile IT functionalities represent the first line of defence.

Proper fulfilment of this requirement requires taking into consideration resolutions of the Board of the Bank of Lithuania on provisions covering organisation of internal control and risk assessment (management) (separate resolutions for banks and payment/electronic money institutions). These resolutions set out the obligation to ensure the implementation of a reliable and properly functioning internal control system. This system must incorporate double internal control of operational procedures, effective risk control and risk management.

In accordance with the EBA Guidelines of 28 November 2019 on ICT and Security Risk Management, a new resolution of the Board of the Bank of Lithuania is being drafted with regard to the description of requirements concerning ICT and security risk management. The new resolution will contain explicit requirements concerning independence, impartiality and separation of information security features from ICT operational processes and audit.

3. **Make sure that when submitting the findings of the business impact analysis, which will provide the basis for a business continuity plan, you are to provide a list of business tasks (services to be provided).**

As part of the business impact analysis, you must evaluate the planned business processes supporting the selected business model. In general, these processes should be listed in the business programme.

Requirements for performing a business impact analysis are defined under:

- Description of Requirements for Payment Service Providers Concerning Operational and Security Risk Management, as approved by Resolution No 03-264 of the Board of the Bank of Lithuania of 20 December 2018;
- EBA Guidelines of 28 November 2019 on ICT and security risk management. In accordance with these guidelines, a new resolution of the Board of the Bank of Lithuania is being drafted with regard to the description of requirements concerning ICT and security risk management;
- International information security standards ISO 27001, ISO 27002, COBIT, etc.

Of relevance to those who intend to raise funds

1. **If you are to design an operating model for future activities and intend to raise funds, first of all, you will have to decide what those funds will be intended and used for (for capital formation at establishment, for working capital, to fund an ongoing project, etc.), and what amount will be required to achieve the goals set.**
2. Having established the purpose for which the funds are to be raised, **you should choose an appropriate method for doing this** (e.g. taking a bank loan, borrowing through a crowdfunding platform, issuing securities, etc.). At this stage of decision making, it is very important that you fully explore and evaluate your possibilities, as a participant of the financial market, for example:

- the potential type and/or legal form of the legal entity (AB, UAB, fund, bank, limited partnership, etc.), the available methods for raising funds, taking into consideration operations of the participant of the financial market;
- the most appropriate method for raising funds, taking into consideration the possibilities of a participant of the financial market (estimating the time required for receiving the funds, the potential additional costs, the need and the potential time required for preparing documents and obtaining licences or authorisations, envisaging likely potential funders, etc.).

3. **If you decide to issue securities, you should consider the following:**

- is the participant of the financial market allowed to offer securities to the public or only through a private placement. In accordance with the Republic of Lithuania Law on Companies, UAB shares (as well as UAB convertible bonds) shall be subject only to non-public offering. Only the type of offering defined under Article 2(4) of the Republic of Lithuania Law on Companies shall not be considered as public offering: *If shares offered by the public liability company or their offering meets any of the conditions defined under the Republic of Lithuania Law on Securities and/or Regulation (EU) 2017/1129 of the European Parliament of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ 2017 L 168, p. 12), where offering securities to the public does not require publishing the prospect, the offering of shares to shareholders, employees, creditors of that public liability company, and professional investors who meet the criteria defined under the Republic of Lithuania Law on Markets in Financial instruments, also to informed investors who meet the criteria defined under the Republic of Lithuania Law on Collective Investment Undertakings Intended for Informed Investors shall not be considered as public offering of securities.* This provision similarly applies to offerings of UAB bonds, including convertible bonds (Article 55(11) of the Republic of Lithuania Law on Companies);
- where there is intention to publicly offer UAB bonds, it is subject to requirements concerning the recording of securities, the audit of annual financial statements, the protection of interests of bondholders and disclosures (Article 55 of the Republic of Lithuania Law on Companies).

Lithuanian legal acts do not provide an accurate and uniform definition of the term 'non-public offering', therefore participants of the financial market often interpret the term differently and associate it only with the method of communication (e.g. the information is not published in the press or on the internet) or with the number of addressees or investors (e.g. in case of securities offering to several persons). The term 'offer to the public' (public offering), as provided in Regulation 2017/1129 on the prospectus [Article 2(d)], covers address to persons in any form and by any means, if criteria provided in the definition of this term are fulfilled, and is associated with the obligation to draw up a prospectus. Other legal acts (Republic of Lithuania Law on Collective Investment Undertakings, Republic of Lithuania Law on Collective Investment Undertakings Intended for Informed Investors, etc.) may provide yet other definitions

or terms, therefore a participant of the financial market **should carefully consider and follow provisions of every legal act, and, when putting down in the instruments of incorporation or other documentation that securities will be placed privately, should indicate a specific legal framework** (law, its article, exemption, etc.). For example, if there is intention to address an offer of securities to up to 150 persons (Regulation 2017/1129 on the prospectus, Article 1(4)(b), the procedure for the offering must ensure that the information on the issuance is not communicated to a larger number of investors. In this case, the list of potential investors must be compiled in advance, i.e. before the opening of the offering.

4. **Before offering securities to the public, a prospectus for the issuance must be published, in accordance with the procedure established by legal acts (depending on the issuer, requirements for the prospectus regulated under the Republic of Lithuania Laws on Public Procurement and on Collective Investment Undertakings and other legal acts apply).** When planning the initial public offering or the issuance by a newly established participant of the financial market, it is recommended that, before submitting a prospectus to the Bank of Lithuania, it is informed about the planned issuance of securities and acquainted with the scheme of and the procedure for the planned offering.

For those who intend to apply for a licence of an electronic money or payment institution

1. **Check whether you have included in your application dossier a clear and detailed explanation of how you intend to implement requirements concerning the open API (Application Programming Interface) resulting from the Commission Delegated Regulation EU) 2018/389 of 27 November 2017.**

To ensure proper preparation, we recommend that you take the following key actions:
1. **Get sufficient understanding of legal and functional requirements**. Useful links:
   - EU Regulation No 2018/389 (RTS) defining comprehensive requirements for APIs and safer authentication.
   - Opinion of the European Banking Authority (EBA) on the implementation of the RTS on the application of the Commission Regulation.
   - Opinion of the EBA on the elements of strong customer authentication under PSD2
   - Opinion of the EBA on the deadline and process for completing the migration to SCA for e-commerce card-based payment transactions
   - EBA working group on APIs under PSD2 - additional clarifications (regularly supplemented, see under 'Publications & News').
   - Answers to questions on the market EBA Q&A (regularly supplemented, select PSD2 to filter the relevant questions).
   - *Berlin Group (NextGenPSD2)* API specifications. Please note that these specifications are often considered as a standard in the EU.
   - Practical questions on eIDAS certificates FAQs (the version of the document is kept up-to-date).
2. **Decide whether you will develop an API by your own efforts or you will acquire it from the third parties**.
3. **Place the testing facility and make the technical documentation available on your website** (deadline – 6 months before the target date for the market launch). It is important that a testing facility is essentially in line with a production APIs. Also, a non-stable testing facility may cause issues with the further integration with production APIs. It is worth considering what means you want to use to actively promote your testing facility and, later, your production API. Pro-active promotion (e.g. individual invitations to other entities to try the testing facility) would be advantageous. See the links to the testing facilities offered by several banks:
   - Swedbank, https://www.swedbank.com/openbanking/golive.html;
   - SEB, https://developer.baltics.sebgroup.com/;
   - Šiaulių Bankas, http://openbanking.siauliubankas.lt.
4. **Provide the dedicated interface** (no later than the target date for the market launch).
5. Within 3 months of providing the dedicated interface, **establish a contingency mechanism** [see RTS Article 33(4)] **or apply to the Bank of Lithuania for exemption from the obligation to set up the contingency mechanism** [see RTS Article 33(6)]. The Bank of Lithuania grants such exemptions only to functionally and technically stable APIs, in accordance with EBA guidelines and after conducting an appropriate assessment.

2. **Check whether you are providing your financial projections in line with the established and relevant form** (see Resolution No 03-259 of the Board of the Bank of Lithuania of 20 December 2018 on the Approval of the Description of the Procedure for the Preparation of Financial and Activity Reports of Electronic Money and Payment Institutions for Supervisory Purposes and for the Submission of the Reports and Other Information to the Bank of Lithuania and on the Approval of Supervisory Reports).

For your convenience, we have provided the relevant template both in Lithuanian and in English.

3. **Check whether the 3-year financial projections provided (*target* and *stress* scenarios) are broken down in quarters (in *Excel* format) and whether they reflect in detail the planned income, expenditure and capital approaches of the institution.**
4. **Check whether you have included in your application dossier documents (e.g. an agreement or a draft agreement with a credit institution) to support that you meet the requirements of Article 25 of the Republic of Lithuania Law on Electronic Money and Electronic Money Institutions or of Article 17 of the Republic of Lithuania Law on Payment Institutions.**

If you cannot provide a signed agreement with a credit institution, defining requirements for the protection of customer funds, or a draft agreement stating that the agreement will come into force once your institution is granted an electronic money/payment institution licence, we recommend that you provide a written "obligation letter" that, before starting to provide licensed financial services, you will provide to the Bank of Lithuania:
(1) a copy of an agreement concluded with a credit institution of the Republic of Lithuania (including a branch of a foreign credit institution, established in the Republic of Lithuania), a credit institution of another Member State, a central bank or an insurance company of a Member State (except for the agreement with the Bank of Lithuania), confirming the safeguarding of funds of electronic money holders and/or payment service users;
(2) information regarding planned payment transactions, specifying the code(s) of currencies of the transaction(s) and a description of the procedure by which the requirements of safeguarding of customers funds will be enforced, coinciding the planned activities and legal requirements of institution.

5. **Make sure that your designated manager is able to properly respond to changes to the operations of the institution and will ensure efficient communication with the Bank of Lithuania in the official language.**

The Bank of Lithuania criticises the ability of institutions to properly carry out its operations without employing a country manager (local manager) permanently residing in Lithuania. Past experience shows that, where the manager of an institution operating in Lithuania is permanently based in a foreign country, quite often it becomes difficult for him/her to manage the institution (in particular at the beginning of its operation, he/she faces numerous organisational challenges and operational failures which then have to be addressed when sanctions are already imposed). Institution managers residing in a foreign country acknowledge that one of the reasons behind the failures is his/her insufficient involvement in the operation of the institution. Therefore, we recommend that, when applying for a licence, you:
(1) indicate the number of employees whose workplace is to be physically located in Lithuania on the first, second and third years of operation, and their position titles;
(2) indicate any of the managers of the institution whose place of actual employment is (physically located) in the Republic of Lithuania;
(3) specify the ways that communication with the Bank of Lithuania in the official language is to be ensured for supervisory purposes.

6. **Make sure that, as soon as you are granted the licence, you have the required specialists responsible for compliance and AML (anti-money laundering).** It

must be noted that, as soon as the licence is granted, an institution is subject to an obligation to submit quarterly supervisory reports and to communicate with the Bank of Lithuania for supervisory purposes.

We recommend that, when applying for a licence, you already have identified employees with relevant qualifications and experience in the field of compliance who, within the institution, will be responsible :
(1) for the fulfilment of the compliance task (compliance with requirements of legal acts on the operation of electronic money/payment institutions, also financial and operational reporting, including reporting on demand;
(2) for the fulfilment of requirements concerning prevention of money laundering and terrorism financing (implementation reporting on money laundering and/or terrorist financing prevention measures, etc.).
It has been noticed that application documents drafted together with a compliance officer (existing or to be appointed) are of better quality, they reflect specific risks inherent to a specific institution, and the chosen controls to manage the risks are better suited. Therefore, it is considered as a best practice for an institution to hire this type of a specialist before starting the licensing process and draft application documents together with him/her.

7. **Check whether the proposed business plan is comprehensive and is not limited to standard statements from laws or business textbooks.**

When drafting the business plan:
(1) specify the target audience of the services provided by the institution by indicating their age, their field of activity and any other distinct characteristics;
(2) specify the organisational and management structure of the institution by describing the model of the institution and accurately representing its subordination structure and the tasks performed by employees
(3) describe in detail the competitive position of the institution in the relevant segment of the payment and/or electronic money issuance market;
(4) detail all the circumstances why the institution expects its operation to be successful;
(5) indicate all the advantages of the institution, as compared to other providers of similar services.

8. **If you intend to provide account information or payment initiation services only and, to ensure protection of customer funds, you will choose professional indemnity insurance, check whether you have included in your application dossier an insurance agreement or its draft.**

Before providing a professional indemnity insurance agreement or its draft:
(1) make sure that the documents provided explicitly state that the insurance is valid for the account information or payment initiation services and covers the risks indicated in Articles 73, 89, 90 and 92 of Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (hereinafter – PSD2);
(2) make sure that in the agreement should not be a deductibles (franchises), and if there are, make sure that the financial projections should provide for a reserve at the amount of the sum withheld;
(3) submit justification of the calculation of the amount of the professional indemnity insurance, as required by Article 13(2)(18) of the Republic of Lithuania Law on Electronic Money and Electronic Money Institutions.
You can find the Tool for calculating the minimum monetary amount of the PII under PSD2 here.

9. **Check whether you are providing a report on the assessment of operational and security risks.** It must be noted that an internal document on the risk management process of the institution (a policy, a description of the procedure, an instruction, methodology, etc.) and an IT audit report are not equivalent to a report on the operational and security risk assessment.

We recommend that the operational and security risk assessment is provided in the form of a table which should contain the following information:

- operational and security threats;
- evaluation of the probability, business impact and risk of these threats;
- next to each threat, specific technical (or organisational) measures that will be applied to reduce the risk of the identified threat;
- the established acceptable risk level.

We recommend that you use the following table:

Operational and security threat	Probability of treat	Business impact	Inherent Risk Assessment	Risk mitigation controls applied	Residual risk	Planned future actions to reduce the risk

10. **Check whether your have included in your application dossier information on best practices or international security standards that you will apply to ensure information, IT and cyber security (Licensing Rules, Annex 11, Part III, point 1).**

In view of the business model, a list of well known international information security standards (e.g. ISO 27001, ISO 27002, COBIT, NIST, CIS, Critical Security Controls, PCI DSS, etc.) which will be used to manage the ICT and security risks should be provided.

11. **Check whether you have clarified in your application documents the customer authentication measures that you will use for customer access to consultations and operation performance, also for all underlying payment instruments.** It must be noted that two-factor authenticity is not the same as strong customer authentication.

Description of measures applied to strong customer authentication procedures must be in line with Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication.
When there are uncertainties with regard to the interpretation of the elements of strong customer authentication (what elements can be categorised as knowledge, possession and inherence), we recommend that you get acquainted with the EBA Opinion of 21 June 2019 on the elements of strong customer authentication under PSD2.

12. **Make sure that the controls described ensure adequate protection of sensitive payment data.**

When listing sensitive payment data, it is necessary to take into consideration the definition of this term provided in the Republic of Lithuania Law on Payments (it must not be confused with the definition of 'confidential information' or terms concerning personal data security used in international security standards, such as 'confidential personal data', 'sensitive personal data'. Also, description of controls that are applied to

ensure security of sensitive payment data must be in line with Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication (Chapter IV).

13. **Check whether you have clearly indicated the information security controls that are applied in different areas within the institution (for staff and asset management, logical access, data encryption, physical security, management of IT operations, communication security, system development and support, relations with third party service providers, compliance and independent IT security reviews).**

When providing your responses in accordance with Annex 11, Part V, point 3 of the Licensing Rules, we recommend that you follow the Description of Requirements Regarding Management of Operational and Security Risks for Payment Service Providers, as approved by Resolution No 03-264 of the Board of the Bank of Lithuania of 20 December 2018, the EBA Guidelines of 28 November 2019 on ICT and Security Risk Management, also the best worldwide practices (e.g. the international information security standard ISO 27001, ISO 27002, COBIT, etc.).

14. **Check whether risk assessment of the institution's activities is comprehensive and detailed, considering the envisaged extent and nature of activities, also customers, activity-specific factors and risks (e.g. concerning customers, services, the channel for providing services, geography).**
15. **Make sure that, in view of the risk assessment of the institution, you have provided a comprehensive description of controls.** Both the risk assessment of the institution, and controls must reflect the operating model and specific features of your institution, therefore you should avoid abstract statements.
16. **Check whether documents and internal rules provided do not contain any inconsistencies, whether they are in order and the processes described therein conform to the specific operating model of and services provided by your institution.**
17. **Check whether application documents where you should provide a description of processes do not contain any references to internal documents on money laundering and terrorist financing prevention which are not evaluated as part of the licensing process.**
18. **Check whether, when describing the institution's suspicious transaction monitoring scenarios, you have specified which of the scenarios will be implemented when monitoring the business relationship or operations of customers and whether your description is not limited to the copy-paste of the list of criteria for identifying possible money laundering and suspicious monetary operations or transactions, as approved by the order of the Director of Financial Crime Investigation Service.**
19. **Make sure that your draft payment service agreements are in line with the requirements of the Republic of Lithuania Law on Payments.** Check, in particular, whether:

- you have provided definitions of all the terms used in the agreement and brought them in line with the terms provided in Article 2 of the Republic of Lithuania Law on Payments;
- you have provided an accurate and full information on the procedure for bringing complaints and disputes before the Bank of Lithuania;

It is considered as a bad practice to provide only a reference to the information on the procedure for bringing complaints and disputes before the Bank of Lithuania that is published on the website of the Bank of Lithuania. We recommend that you indicate the specific ways of bringing complaints and disputes before the Bank of Lithuania:

Applications concerning dispute settlement can be submitted: (1) Via the electronic dispute settlement facility E-Government Gateway; (2) By completing a Consumer Application Form and sending it to the Supervision Service of the Bank of Lithuania, Žalgirio g. 90, LT-09303, Vilnius, email: pt@lb.lt; (3) By filing out a free-form application and sending it to the Supervision Service, Žalgirio g. 90, LT-09303, Vilnius, email: pt@lb.lt. For more information: https://www.lb.lt//lt/daugiau-apie-gincius-su-finansiniu-paslaugu-teikeju.

Important! Only those payment service users who are natural persons or are qualified as consumers can apply to the Bank of Lithuania regarding out-of-court settlement of a dispute (Procedures for settling disputes between consumers and participants of the financial market are set out under Article 47 of the Republic of Lithuania Law on the Bank of Lithuania, the Republic of Lithuania Law on Consumer Protection and the Rules on the Procedure of the Bank of Lithuania for Settling Disputes between Consumers and Participants of the Financial Market Out-of-Court, as approved by Resolution No 03-23 of the Board of the Bank of Lithuania of 26 January 2012).

Information on the procedure for submitting complaints and applications is available here: https://www.lb.lt/lt/kontaktai#group-464. It is recommended that you indicate two addresses of the Bank of Lithuania (i.e. to clarify that complaints can be submitted by sending them both at Totorių g. 4, LT-01121, Vilnius, info@lb.lt, and at Žalgirio g. 90, LT-09303, Vilnius, email: pt@lb.lt).

Important! A complaint can be submitted to the Bank of Lithuania not only by natural persons, but also by legal entities if they have well-founded suspicions that the payment service provider has breached certain provisions of legal acts on the financial market. Even if you intend to conclude agreements only with legal entities, do not forget to point out the right of the payment service user to submit complaints to the Bank of Lithuania.

- you have indicated in the agreement:
  - ✓ the moment of receiving the payment order and the execution time of payment transactions to payment accounts (Article 46 of the Republic of Lithuania Law on Payments);
  - ✓ that, in case of contractual relations, the consumer, having lodged an application with the payment service provider, has the right to receive, in writing on paper or another durable medium, information on the conditions set out in the framework contract (Article 14 of the Republic of Lithuania Law on Payments), as required under Article 13(5)(4) of the Republic of Lithuania Law on Payments;
  - ✓ that, upon termination of the framework contract by the consumer, the payment service provider must, in writing on paper or another durable medium, provide information on payment transactions executed in the payment account of the consumer within the past 36 months and, if the framework contract came into force less than 36 months ago, during the entire validity period of the framework contract [Article 15(6) of the Republic of Lithuania Law on Payments);
  - ✓ that you intend to agree to not apply some of the provisions of the Republic of Lithuania Law on Payments (to the extent allowed) only with those payment service users who are not considered to be consumers;

According to Article 3(7) of the Republic of Lithuania Law on Payments, payment services providers and payment services users, with the exception of consumers, may agree that the provisions of Chapter III of this Law shall not apply in whole or in part, also that the requirements set forth in points (1), (2) and (3) of Article 4, Article 11(1), (2) and (5), Article 29(3) and Articles 37, 39, 41, 44, 51 and 52 of this Law shall not

apply in whole or in part, also may agree on a time limit other than specified in Article 36 of this Law.
Check whether:

- ✓ payment service users with whom you intend to conclude such an agreement are not considered to be consumers;
- ✓ you intend to agree to not apply those provisions of the Republic of Lithuania Law on Payments that may be subject to an exemption in case of such an agreement.

It is considered as a best practice where the preamble of an agreement states that the agreement is subject to exemptions set out under Article 3(7) of the Republic of Lithuania Law on Payments.

- you have agreed with the payment service user on the use of another language, if you have made the terms and conditions of the provision of payment services available to the payment service user in a language other than Lithuanian.

For those who intend to apply for a bank or specialised bank licence

1. **Check whether your business plan is comprehensive and concentrated and contains a clear description of actions that you intend to take and how you intend to do that once you are granted a bank or specialised bank licence.** Avoid statements of general nature (e.g. if you have indicated that you intend to collect deposits, describe the specific channels that you intend to use to reach the customer, etc.).
2. **Note that the business plan must be approached as a solid document.** Therefore it must contain the essential informational provided in other more detailed documents [e.g. if you indicate that the bank intends to apply an x% capital adequacy requirement, this should be linked to the performed analysis of the internal capital adequacy assessment process (ICAAP)], i.e. it should not be limited to references to other documents.
3. **Perform a quality analysis of ICAAP and ILAAP, which will allow you to properly evaluate the future bank capital and liquidity requirement.** Calculate the envisaged bank capital adequacy values and compare them with those evaluated in the ICAAP analysis. Perform the analysis of liquidity requirement.
4. **Clearly indicate the jurisdictions where you intend to operate and, preferably, a plan of gradual expansion to those jurisdictions, in line with the possibilities of business development.** Also, provide the financial information broken down by jurisdiction.
5. **If you intend to hold different segments of customers (e.g. to credit both business and retails customers), accordingly describe in detail your financial projections.**
6. **Check whether, when planning your risk management system, you have set clear quantitative indicators and their critical values and specified the level of involvement of different governing bodies of the bank depending on the level of risk.**
7. **Give appropriate consideration to different aspects of bank management, set out a clear structure of management and responsibilities, make sure that the distribution of responsibilities prevents a potential conflict of interests.**
8. **Check whether, when drafting your business plan, you have broken down the information on loans and interest income by the region (country), products, stage classification of loans (requirement of IFRS 9), etc. (i.e. provided all the important layers of information). Also, provide information on the planned number of customers, the average and maximum values of credit products, the planned interest rate, the pricing of loans.**
9. **Evaluate whether the business plan contain a short analysis supporting the demand for an additional credit provider in the target markets (indicating that there are potential customers) and whether the proposed pricing (or other factors) will ensure your competitiveness on the market, as a new participant of the market.**
10. **Provide main tables of the business plan in MS Excel format, too.** It is considered as a best practice to present tables together with calculations which provide the basis for the results obtained.
11. **Check whether you have envisaged the indicators of credit risks to be monitored and established the acceptable limits for the indicators.**
12. **Provide information on and justification for the planned level of non-performing loans. Consider strategies for dealing with insolvent customers.**
13. **Provide models, methodology for clients' creditworthiness assessment and available validation reports. Provide the classification of model output in terms of risk levels (low/medium/high risk), i.e. which loans are to be classified as non-performing / watch list loans, which risk levels should not be credited , etc.**

14. **Provide information to prove that the bank is ready to fulfil requirements of IFRS 9** (the split of loans into homogeneous groups, criteria for staging, the estimates of PD (probability of default) and LGD (loss given default), their calculation, sources of data and methodology used for the calculations, the impact of macroeconomic indicators on projected estimates of PD, principles for calculating expected losses, model validation reports).
15. **If you plan to operate in other countries, provide a confirmation from the third countries that risk management documents have been drafted in accordance with all the legal acts on credit risk management in force in that jurisdiction.** It is considered as a best practice to provide a confirmation from companies providing legal services.
16. **If you intend to develop a bank's business model without payment services, perform a very detailed analysis of the technical feasibility of the activities and of the existing infrastructure (e.g. what systems you will connect to and how you will do this).**
17. **If you intend to provide payment services, also get acquainted with the advice for those who intend to apply for a licence of an electronic money and payment institution (see points 11, 12 and 19).**
18. **If you intend to provide investment services, also get acquainted with the advice for those who intend to apply for a licence of a financial brokerage company (see points 1-12).**

For those who intend to apply to be included on the list of crowdfunding platform operators

1. **Check whether the description of the operating model of a crowdfunding platform operator (CPO) is sufficiently detailed, whether it contains practical information on important systems and procedures to be implemented/developed by the CPO for the purpose of carrying out activities of a CPO.**

We recommend that, when describing the operating model, you avoid formal quoting of legal provisions and focus on practical aspects of the CPO's activities.

It is considered as a bad practice to include formal statements in the operating plan (e.g. 'we will collect, from investors, information on their knowledge and experience') and not providing a detailed description of the practical performance of the tasks of a CPO, not providing a questionnaire which is to be used in carrying out activities of the CPO and not providing, in internal documents, any details about the actions taken and measures applied.

In the description of the operating model, indicate only the type of activities that you intend to be involved in. It must be noted that the company must prove that it is ready to perform activities described in the operating model and that companies are included on the public list of CPOs only for providing this type of services.

Particular detail should be given to:

- the scope of activities that the company intends to carry out (the nature of the funding of projects announced: are funds raised by providing loans or by using financial instruments; possibilities of secondary trading);
- the operating scheme of the crowdfunding platform administered by the company;
- the principles for organising activities and the management structure and staffing of the company, a number of (future and existing) employees, their distribution across the subdivisions of the company by their field of activity, qualifications, experience;
- the expected target market of the company (owners and funders of the project);
- the process of handling complaints, also the processes of avoiding, identifying and managing conflicts of interest;
- a description of the reliability assessment process of the project's owners, the tasks, liability of and cooperation between executors of this process (employees of the company);
- the process of testing the acceptability of a financing transaction to the funder (a sample questionnaire/test provided to funders), also information on the qualifications and experience of persons performing this task;
- a money movement process, i.e. information on how transfers of customer funds will be carried out, where (in whose bank accounts) customer funds will be held;
- how and what type of information will be published.

2. **Make sure that the envisaged process of holding funds of the CPO's customers and the settlement process are organised in a proper manner.**

In accordance with the legal regulation of financial markets in force in Lithuania, a CPO is not entitled to holding funds of customers (project owners and funders) and executing orders because these are considered to be payments services which can only

be provided by payment service providers. Hence, funds of the CPO's customers cannot be held in a bank account opened in its name (even if this bank account is used to hold customer funds only) because it does ensure the required level of protection of such funds. In order to be able to hold customer funds, the CPO must obtain a licence of a payment service provider (e.g. an electronic money institution) or cooperate, in carrying out its activities, with the third parties who are entitled to provide payment services.

3. **Check whether your tools and procedures for the reliability assessment of project owners are in compliance with the requirements set out under Article 9(4) of the Republic of Lithuania Law on Crowdfunding and in the Rules for Acceptability of Funding Transaction of Crowdfunding Platform Operators to the Funders and the Reliability Assessment of Project Owners, as approved by Resolution No 03-169 of the Board of the Bank of Lithuania of 29 November 2016.**

For the purpose of assessing the reliability of project owners, the company must, in its internal documents, clearly define the sources that will be used to collect information for assessing the reputation and creditworthiness of these entities, and indicate the scope of the information collected. Also, it is necessary to develop and define the rules for applying an algorithm that would allow to assess the creditworthiness of project owners and accordingly qualify results of the assessment.

4. **Check whether documents provided contain a description of processes specifically adapted for activities that you intend to carry out.** For example, when defining situations which may give rise to conflicts of interests, it is necessary to consider not only all the activities of the company, but also those of the related entities.
5. **Check whether the amount of equity is line with regulatory requirements.**

It must be noted that EUR 400,000 is the minimum amount of the CPO's equity. When calculating the amount of equity, you must use actual data (e.g. include the costs already incurred). Failing to do this, the costs incurred will reduce the amount of equity, therefore, before the CPO is included on the list of CPOs, it will have to be funded with additional contributions of shareholders (deficient amount).

Provide an up-to-date equity statement, based on which the amount of equity and its compliance with legal requirements could be determined before including the CPO on the list of CPOs. For the purposes of obtaining detailed information on the financial position of the CPO and its ability to fulfil prudential requirements (with regard to the amount of equity), you should provide projected equity statements for 3 years (forms to be used for the statement are available here (available in Lithuanian).

For those who intend to apply for a licence of a management company

1. **Note that the operating plan must contain description of the fields and the scope of activities to be carried out.** The business plan must be in line with the scope of the licence. The description must reveal the actual activities to be carried out by the company and be sufficiently **specific** and provide enough **details** so as to allow assessment of whether these activities are in line with the requirements set by legal acts, and what qualifications and experience are necessary for the manager of the company and for persons making investment decisions.

   Check whether:
   - you have indicated, in your operating plan, not only the fact that the company will manage collective investment undertaking, but also information on the investment strategy of the investment funds to be established (investments in equity, bonds real estate, start-ups, pension schemes, etc.) etc.;
   - you have indicated the same type of activities in the application for a licence/authorisation and the operating plan;
   - in the operating plan, you have described only the type of activities that the relevant licence confers the right to carry out (it is a quite common mistake that applicants apply only for a licence/authorisation for management activities of collective investment undertakings, and, in the operating plan, they also describe activities that involve provision of investment services);
   - if you have applied for a licence to manage collective investment undertakings and provide investment services, check whether, in the operating plan, you have described both types of activities and it is not limited to the description of the management activities of a collective investment undertaking only.

2. **Note that where there is requirement to provide internal documents of the company, legal acts define the type of activities that this company must carry out, and internal documents are to be used to define the ways in which the company will do that**. Avoid simply copy-pasting legal requirements, describe the actual activities of the company, be specific and provide details on the activities company intends to engage in. For example, if there is a requirement to identify risk management methods, you must identify them, instead of providing a statement that 'a management company will identify the methods'.
3. **Check whether amounts of own funds and of the initial capital of the company meet legal requirements and whether there are reserves built up to cover start up costs.**

   The company must project its performance and plan its activities in such a way as to ensure stable and reliable operation of the company and its continuous compliance with requirements concerning the amount of own funds and the initial capital that it is subject to. The company should not only aim to fulfil requirements concerning the minimum amount of its own funds and initial capital, but also plan its activities taking into account possible losses in future periods, i.e. plan a certain reserve.

   It is considered as a bad practice for a company to submit documents to obtain a licence without planning its income and expenditure during the period before the licence is granted. In such cases, when document processing is completed and before the licence is granted, the company needs to be funded with additional contributions of shareholders (deficient amount) because it fails to fulfil requirements concerning its own funds and/or initial capital.

4. **Check whether you have included your own funds reports in your application dossier.**

The company must provide its report on own funds requirements, drafted in accordance with the Rules for the Calculation of the Amount of Own Funds of Management Companies approved by Resolution No 03-34 of the Board of the Bank of Lithuania of 26 March 2015 (available in Lithuanian). The report must be based on the most relevant data on the date of submission of the documents (e.g. if a document is submitted on 26 October, the report on own funds requirements must be based on the data of 30 September).

Also, it is necessary to provide supervisory reports, drafted in accordance with the Description of the Procedure for Financial, Supervisory Financial and Capital Adequacy Reporting of Financial Brokerage Firms and Management Companies, as approved by Resolution No 03-35 of the Board of the Bank of Lithuania of 26 March 2015 (available in Lithuanian).

5. **Check whether your description of the risk management policy, procedures and tools is in line with the nature of the company's risks and activities and whether it is not overly formal (i.e. avoid simple copy-pasting of legal acts).**

It is considered as a best practice where description of a risk management system of a company covers a risk management strategy, policy, risk limit system, other risk management tools and procedures addressed at all types of risks (credit, market, liquidity, operating, etc. risks). Particular detail should be given to those risks that are relevant for the company itself. If the company is subject to credit risks, you should describe in detail the lending procedure and, in case of investments in financial instruments, the investment regime (goals, investment duration, etc.). Particular attention should be placed on the development and regulation of a risk limit system (the company must define its limits for specific asset groups, e.g. the amount of funds to be held with a credit institution, borrowing and lending limits, etc.).

Of relevance to collective investment undertakings

1. **We recommend that instruments of incorporation of all types of collective investment undertakings contain only essential information on the procedure for asset valuation, procedure for calculating and publishing the value of investment units and shares, and that the detailed information on the calculation of the Net Asset Value (NAV), asset valuation and the procedure for calculating and publishing the value per investment unit or share is provided to investors in the prospectus of the collective investment undertaking**. More information and a sample document are available HERE.
2. In practice, collective investment undertakings are often subject to several laws. For example, the Republic of Lithuania Law on Collective Investment Undertakings provides procedure for establishing a special investment company whose manager holds an alternative investment fund manager licence issued in line with the Republic of Lithuania Law on Managers of Alternative Collective Investment Undertakings and the shares of this special investment company are listed on the stock exchange. In this case, it is necessary to consider and combine requirements specified under the Republic of Lithuania Laws on Collective Investment Undertakings, on Companies, on Managers of Alternative Collective Investment Undertakings, and on Securities, relevant EU Regulations etc. It must be noted that the general principle that applies is as follows: **where a collective investment undertaking operates under several laws, it is subject to the most stringent of regulations to prevent manipulations (arbitrage) unless otherwise stipulated by the laws**.

   It is considered as a bad practice for a collective investment undertaking to arbitrarily apply requirements of several different laws that it is subject to (e.g. in case of closed-ended investment companies, where purchase of own shares is subject to certain restrictions under the Republic of Lithuania Law on Collective Investment Undertakings, the entity may be interested in applying only provisions of the Republic of Lithuania Law on Companies).

   Also, you should remember that, in contrast to participants of investment funds, shareholders of investment companies incorporated as private or public limited liability companies enjoy the rights defined under the Republic of Lithuania Law on Companies.

3. **Check whether instruments of incorporation of a collective investment undertaking are in line with the legal requirements and reflect activities of a specific collective investment undertaking.** Avoid simply quoting general provisions of legal acts, be consistent and attentive and provide specific and detailed information on the collective investment undertaking and its activities.

For those who intend to apply for a licence of a financial brokerage company

1. **Check whether, in your operating plan, you have described all the licensed investment and additional services covered by the licence that you intend to apply for.**

   Do not simply copy-paste provisions of legal acts in the internal documents of the company. Note that, in the internal documents, you should specify (detail) how specific legal requirements will be implemented. It is considered as a bad practice to state in the internal documents that 'the company periodically reviews these rules and puts forward proposals on their improvements', without specifying who (e.g. an employee, a unit) reviews the rules, how often this type of review is performed, to whom [e.g. to a unit or employee (manager), etc.] proposals on the improvement (amendment) of rules are addressed to.

   In case of an application to expand the licence, the operating plan must include description of all licensed activities. It is considered as a bad practice where description is limited to references to the operating plan developed during the previous licensing process, stating that 'activities will be carried out in accordance with the operating model described in the previous operating plan'. If a significant period of time has passed since the previous licensing process, legal requirements and supervisory practice may have changed and the operational model that was implemented earlier may no longer be in line with the changed regulation.

2. **It is important to note that licensed participants of the market are not entitled to pursue activities of a tied agent.** Hence, the operating model of a financial brokerage firm, featuring activities of a tied agent (e.g. the business of reception and transmission of customer orders, where orders are transmitted for execution or further transmitted to a single intermediary), is considered to be unacceptable.
3. **Check whether your documents have been drafted using the terms specified in legal acts.**

   It is considered as a bad practice to include, in the documents, the terms that are not defined under legal acts (e.g. professional customers are referred to as qualified customers, services for the reception and transmission of orders are referred to as brokerage, and provision of investment recommendations is referred to as consultation.

4. **Note that, in accordance with Article 6(3) of the Republic of Lithuania Law on Markets in Financial Instruments (LMFI), a supervisory authority shall issue a licence of a financial brokerage company only upon fully satisfied itself that the applicant complies with the requirements for obtaining the licence specified in Chapter II, Section 2 of this Law.** In line with this provision, before issuing a licence, the Bank of Lithuania must make sure that the company is ready to fulfil requirements concerning the organisational, qualifications of employees, etc. requirements, as defined under the LFMI.

   In case of a failure to provide all the required documents, the Bank of Lithuania cannot assess whether the applicant complies with specified requirements for obtaining a licence of a financial brokerage firm. It is considered as a best practice to provide the Bank of Lithuania with internal documents and procedures concerning fulfilment of requirements specified under Chapter 2, Section 2 of the LFMI (e.g. procedures for managing products, ensuring the required qualification of employees, determining remuneration of employees, personal transactions of managers, employees and tied agents, etc.).

5. **Check whether the future compliance officer that you have selected has experience in providing investment services.**
6. **Make sure that you have ensured that financial brokerage operations will be carried out only by certified financial brokers.**
7. **Check whether you are to provide the detailed information specified under Article 6 of the Commission Delegated Regulation (EU) 2017/1943, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on information and requirements for the authorisation of investment firms.**

When providing information on the geographical distribution and activities to be carried out by the investment company:

- It is considered as a best practice to include description of the domicile of the prospective customers and target investors; the marketing and promotional activity and arrangements, including languages of the offering and promotional documents; identify Member States where advertisements are most visible and frequent; identify direct marketers, financial investment advisers and distributors, and geographical localisation of their activity.
- It is considered as a bad practice to state that the company will make every effort to fulfil the needs of all requesting customers, using marketing on demand, but not providing any specific required information.

8. **According to the LMFI, all the information that a financial brokerage firm provides to customers and/or potential customers, including advertising information about activities of and services offered by the company must be accurate, clear and not misleading.** If you intend to operate in several countries, make sure that you provide your customers with information in a language which they understand and do not provide all the information in English only.
9. **If you have indicated that customer orders will be executed, check whether you have also specified execution venues (e.g. regulated market, eligible counterparty, multilateral or organised trading facility).**
10. **Check whether you are not providing any services related to virtual assets.**
11. **Check whether the model of safekeeping and accounting of financial instruments that you have chosen is in line with the requirements specified under the LMFI and whether customer assets are segregated at the level of the Central Securities Depository of Lithuania.** Note that where securities tokens are issued, they must be accounted in accordance with the procedures established under the LMFI, which should not be replaced by smart contracts in Blockchain.
12. **If you intend to apply for a licence of a Category A or Category B financial brokerage firm, note that customer funds can be held only in the Central Bank, in a credit institution licensed by the Republic of Lithuania or another Member State, in a bank licensed by the third country and in an appropriate money market fund.** It is considered to be a bad practice where a company holds customer funds in an electronic money institution or another financial brokerage firm which are not classified as entities entitled by the LFMI to custody consumer funds.
13. **Check whether you have included capital adequacy reports in your application dossier.**

The company must provide supervisory reports, drafted in accordance with the Description of the Procedure for Financial, Supervisory Financial and Capital Adequacy Reporting of Financial Brokerage Firms and Management Companies, as approved by Resolution No 03-35 of the Board of the Bank of Lithuania of 26 March 2015.

Also the company have to provide capital adequacy reports drafted in accordance with the legal acts on new prudential requirements.

For those who intend to apply for a licence of a financial adviser undertaking

We recommend that you get acquainted with the advice for those who intend to apply for a licence of a financial brokerage firm (see points 1-11).

For those who intend to apply to be included on the list of consumer credit providers and peer-to-peer lending platform operators operating in accordance with the Republic of Lithuania Law on Consumer Credit

1. **Remember that Rules for the Assessment of Creditworthiness must be drafted in accordance with the Republic of Lithuania Law on Consumer Credit and Regulations on the Assessment of Consumer Creditworthiness and on Responsible Lending, as approved by Resolution No 03-62 of the Board of the Bank of Lithuania of 19 March 2019.** It must be noted that legal requirements for the consumer credit provision activity have been clarified in the Guidelines for the Provision of Consumer Credit, as approved by Decision No 241-69 of the Director of the Supervisory Authority of 27 April 2015.

When drafting the rules for the assessment of creditworthiness, **avoid repeating** the following most common mistakes:

- Requirements specified under the Republic of Lithuania Law on Consumer Credit and under Provisions on the Assessment of Consumer Creditworthiness and Responsible Lending were only copy-pasted into the rules, but they were not adapted to the activities to be carried. It must be noted these legal acts define only the general requirements and, to ensure that the planned activities are performed properly, it is necessary to specifically describe processes, actions and criteria for implementing the legal requirements;
- The rules provided that the amount of consumer income remaining after deducing the deposit paid by consumers would be taken into account, but did not indicate how specifically this type of income would be taken into account;
- Applicants used the term 'taking a more conservative approach' but failed to provide any clarification what the term meant in that particular case;
- The rules stated that income which the consumer could reasonably expect over the whole life of the credit shall qualify as sustainable consumer income, but did not describe any specific ways to make sure that the income would be generated over the whole life of the credit;
- The rules did not specify that the NASIS data base, which is maintained and managed by the Bank of Lithuania and which must be checked before granting a consumer credit, would be checked;
- Applicants failed to provide definitions of the terms or some of the terms used in the rules;
- The rules did not provide any information on registers and information systems that would be used for the assessment of the consumer's creditworthiness;
- The rules did not state that personal data, which are used for the purposes of assessing consumer creditworthiness, were processed in accordance with a procedure established under the Republic of Lithuania Law on the Legal Protection of Personal Data;
- Applicants used the term 'solvency' which is not used in either the Republic of Lithuania Law on Consumer Credit or Provisions on the Assessment of Consumer Creditworthiness and Responsible Lending;
- The Rules did not specify the purposes for which consumer credits were to be granted.

For those who intend to apply to be included on the list of credit providers and peer-to-peer lending platform operators operating in accordance with the Republic of Lithuania Law on Real Estate Related Credit

1. **Note that Rules for the Assessment of Creditworthiness must be drafted in accordance with the Republic of Lithuania Law on Real Estate Related Credit and Provisions on Responsible Lending, as approved by Resolution No 03-144 of the Board of the Bank of Lithuania of 1 September 2011.**

When drafting the rules for the assessment of creditworthiness, **avoid repeating** the following most common mistakes:

- Requirements specified under Republic of Lithuania Law on Real Estate Related Credit and Provisions on Responsible Lending are only copy-pasted into the rules, but they are not adapted to the activities to be carried. It must be noted these legal acts define only the general requirements and, to ensure that the planned activities are performed properly, it is necessary to specifically describe processes, actions and criteria for implementing the legal requirements;
- As regards personal credits, applicants failed to provide a definition of the term 'personal credit' and did not specify the conditions and procedure for granting this type of credit;
- Formulas for calculating LTV and DSTI were provided, but their elements were not defined;
- Applicants failed to provide definitions for some of the terms used in the rules;
- The rules did not state that data on the borrower, which is obtained by the credit provider from registers, information systems and other sources, were processed in accordance with a procedure established under the Republic of Lithuania Law on the Legal Protection of Personal Data;
- Applicants used the term 'solvency' which is not used in either the Republic of Lithuania Law on Real Estate Related Credit or Provisions on Responsible Lending;
- The Rules did not specify the purposes for which the credits are to be granted.

For those who intend to apply to be included on the list of credit intermediaries operating in accordance with the Republic of Lithuania Law on Consumer Credit

1. According to Article 2(23) of the Republic of Lithuania Law on Consumer Credit, **a consumer credit intermediary** means a person who is not acting as a consumer credit provider or a peer-to-peer lending platform operator, and who, in the course of his business or profession, for a fee performs at least one of the following actions:

- submits or offers a consumer credit agreement to the consumer;
- helps the consumer to perform acts in relation to getting a consumer credit, other than specified above;
- concludes a consumer credit agreement with the consumer on behalf of the consumer credit provider or operator of a peer-to-peer lending platform.

2. **It is important to properly distinguish between consumer credit intermediaries.**

- **A dependent consumer credit intermediary** means a consumer credit intermediary, operating on behalf of one or more consumer credit providers, who is dependent on consumer credit providers, i.e. paid by consumer credit providers. A person is entitled to pursue activities of a consumer credit intermediary, operating on behalf of one or more consumer credit providers, i.e. as a dependent intermediary, only when the consumer credit provider includes the person on the public list of intermediaries operating on behalf of a consumer credit provider.
- **An independent consumer credit intermediary** means a consumer credit intermediary who is independent from consumer credit providers, i.e. not paid by consumer credit providers. A person is entitled to pursue activities of a consumer credit intermediary, operating as an independent consumer credit intermediary, only when the supervisory authority includes the person on the public list of independent consumer credit intermediaries.

The Republic of Lithuania Law on Real Estate Related Credit was adopted later than the Republic of Lithuania Law on Consumer Credit, thus provisions of the Real Estate Related Credit Law, in view of the market practice, are somewhat more detailed, streamlined and clearer. In view of the fact that definitions of 'intermediary' that provided in the Republic of Lithuania Law on Real Estate Related Credit and the Republic of Lithuania Law on Consumer Credit are basically the same, it is considered that the term 'independent consumer credit intermediary' should be interpreted with analogy to the Republic of Lithuania Law on Real Estate Related Credit.

3. When granting a consumer credit, all the rights, obligations and liability for the proper fulfilment of requirements of the Republic of Lithuania Law on Consumer Credit, as specified under the Law, shall be applied to consumer credit providers, despite the fact that they grant credits using services of an intermediary. **Hence, the question of the intermediary's liability should be discussed in the cooperation agreement between the consumer credit provider and the intermediary.**
4. Remember that, according to Article 24(4) of the Republic of Lithuania Law on Consumer Credit, **a consumer credit provider must periodically update the information provided on the public list of dependent consumer credit intermediaries operating on behalf of a consumer credit provider**. This list should include only dependent consumer credit intermediaries operating on behalf of a consumer credit provider and should exclude independent consumer credit intermediaries.
5. **It must be noted that Article 25(1) of the Republic of Lithuania Law on Consumer Credit defines the obligation of consumer credit intermediaries to indicate, in advertisements and documents intended for consumers, the limits of their powers, also to provide information on whether they provide services operating exclusively together with one or more consumer credit providers or**

whether they are independent. Dependent consumer credit intermediaries, in advertisements (and their websites) and documents intended for consumers, must clearly indicate the consumer credit providers that they cooperate with as dependent consumer credit intermediaries and whether they are included on the public lists of dependent consumer credit intermediaries of these consumer credit providers. They can also publish references to the lists of dependent intermediaries of these consumer credit providers, which are available on the websites of consumer credit providers, as specified under Article 24(4) of the Republic of Lithuania Law on Consumer Credit.

6. **Remember that Article 25(2) of the Republic of Lithuania Law on Consumer Credit lays down the obligation to inform consumers about remuneration paid to consumer credit intermediaries.** An agreement on the remuneration must be concluded in writing on a durable medium, before concluding a consumer credit agreement. Also, Article 25(3) of the Republic of Lithuania Law on Consumer Credit provides that consumer credit intermediaries shall notify consumer credit providers of the remuneration paid by consumers for their services, so that this remuneration is included in the annual percentage rate of charge.

For those who intend to apply to be included on the list of credit intermediaries operating in accordance with the Republic of Lithuania Law on Real Estate Related Credit

1. According to Article 3(19) of the Republic of Lithuania Law on Real Estate Related Credit, a **credit intermediary** means a natural or legal entity, not operating as the credit provider, operator of a peer to peer lending platform, or notary, who directly or indirectly introduces the borrower to the credit provider, credit intermediary, and operator of a peer to peer lending platform and who performs at least one of the following acts for business or professional purposes for a remuneration paid in cash or in any other agreed form of financial remuneration:

- submits or offers a credit agreement to the borrower;
- helps the borrower to perform acts in relation to getting a credit, other than the ones specified in Item 1 of this Paragraph, prior to conclusion of a credit agreement;
- concludes a credit agreement with the borrower on behalf of the credit provider or operator of a peer to peer lending platform.

According to Article 3 (27) of the Republic of Lithuania Law on Real Estate Related Credit, **a dependent credit intermediary** means a credit intermediary operating:

- on behalf of one credit provider and under full liability thereof;
- on behalf of one group of credit providers and under full liability thereof, or
- on behalf of credit providers or groups thereof not forming a majority on the credit market and under full liability thereof.

2. **It is important to properly distinguish between credit intermediaries.**

- **A dependent credit intermediary** means a credit intermediary operating on behalf of one or more than one credit provider. A person is entitled to pursue activities of a dependent credit intermediary, operating on behalf of one credit provider, only when the credit provider includes the person on the public list of dependent credit intermediaries operating on behalf of one credit provider. A person is entitled to pursue activities of a dependent credit intermediary, operating on behalf of more than one credit provider, only when the supervisory authority includes the person on the public list of dependent credit intermediaries operating on behalf of more than one credit provider.
- **An independent credit intermediary** means a credit intermediary who is independent from credit providers, i.e. not paid by credit providers. A person is entitled to pursue activities of a credit intermediary, operating as an independent credit intermediary, only when the supervisory authority includes the person on the public list of independent credit intermediaries.

3. According to Article 29(6) of Republic of Lithuania Law on Real Estate Related Credit, **a dependent credit intermediary operating on behalf of one credit provider, who intends to start operations as a credit intermediary operating on behalf of more than one credit provider or to operate as an independent credit intermediary**, **shall apply to the Bank of Lithuania** regarding inclusion thereof on the public list specified in Paragraph 1 or 2 of Article 28 of this Law under the procedure established in Article 28 of this Law.