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**Licences of financial brokerage firms.** As at 31 December 2016, 7 financial brokerage firms operated in Lithuania's market for financial instruments. 1 of them held an A category licence, 4 had B category licences and 2 – a C category licence of a financial brokerage firm. On 29 November 2016, by decision of the Board of the Bank of Lithuania, a C category financial brokerage firm license was issued to *UAB Myriad capital*.

**Assets of financial brokerage firms.** In 2016, the assets of financial brokerage firms grew by 13 per cent and, according to audited data as of 31 December 2016, amounted to EUR 5.1 million. As at 31 December 2016, the bulk of the assets of financial brokerage firms consisted of funds held in banks, loans and receivables, as well as financial assets held for commercial purposes (27.5, 38.1 and 32.1 % respectively).

**Operating results of financial brokerage firms and compliance with prudential requirements.** According to audited financial statement data, the operating result of financial brokerage firms for 2016 was a EUR 0.7 million profit. According to data as at 31 December 2016, operations of 6 financial brokerage firms were profitable, 1 firm experienced losses. A minimum initial capital requirement (A category financial brokerage firms – EUR 730,000, B category – EUR 125,000, C category – EUR 50,000) and an 8 per cent minimum capital adequacy requirement are applied to financial brokerage firms. All financial brokerage firms were in compliance with capital adequacy requirements.

The Supervision Service of the Bank of Lithuania issued a warning to *UAB FMJ Orion Securities* for violation of the Law on Securities Market and other legal acts governing the activities of financial brokerage firms as well as operational shortcomings established during the inspection carried out in 2015. It was concluded that *UAB FMJ Orion Securities* did not ensure proper market, liquidity, counterparty and credit risk management. Shortcomings related to investment services provided by the firm were also identified.

The Supervision Service of the Bank of Lithuania also issued a warning to *steponkus & co FM AB* for violation of the Law on Securities Market and Regulation No 575/2013 established during the inspection carried out in 2015. It was determined that the firm held its own funds and monetary funds of its clients on a single account with a credit institution; by acquiring larger than authorised non-financial institution holdings, it thus violated the requirements laid down in the Law on Securities Market and Regulation No 575/2013.

### Changes in the field of legal regulation.

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

By Decision No 03-10 of the Board of the Bank of Lithuania of 28 January 2016, amendments to the Rules on the Publicly Announced Information on Financial Brokerage Firms and Management Companies were approved. The list of publicly announced information on subordinated loans, other debt instruments, their maturity and terms and conditions, as well as information on credit and dilution risk of purchased receivables, market and operational risk, and compliance with capital adequacy requirements, were supplemented. These changes are published in the Register of Legal Acts. Seeking to alleviate the administrative burden, related to the provision of reports and other information for supervisory purposes, on financial brokerage firms, the Bank of Lithuania constantly reviews and improves legal acts. In Q2 2016,

Chart 1. Operating results of financial brokerage firms

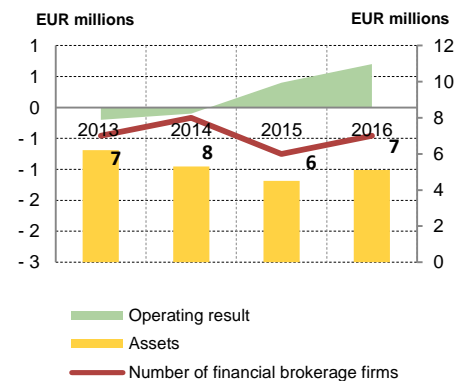
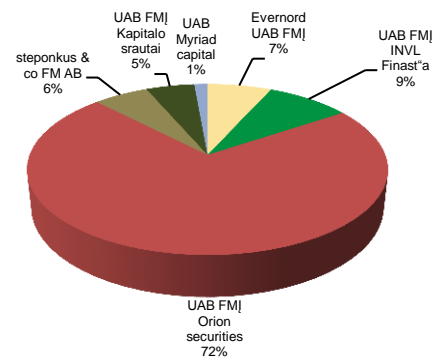


Chart 2. Assets of financial brokerage firms



Source: Bank of Lithuania calculations.

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