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Activities of financial market
participants

Review of the Activities of Electronic Money and Payment Institutions

2022

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SUPERVISION OF ELECTRONIC MONEY INSTITUTIONS AND PAYMENT INSTITUTIONS

In 2022, the maturity of the electronic money institution (EMI) and payment institution (PI) sector remained one of the Bank of Lithuania's strategic objectives. Therefore, the institutions operating in the sector were encouraged to devote more attention and resources to the following key areas: prevention of money laundering and terrorist financing (AML/CTF), compliance with the requirements for the protection of equity capital and safeguarding of customer funds, internal control requirements, and compliance enhancement. To promote the sector's maturity, the Bank of Lithuania organised a series of consultative events and expressed its expectations to the institutions, and in order to draw the attention of the EMIs and PIs to the quality of governance and internal controls, the Bank of Lithuania organised a series of training and consultative events on the relevant [topics](#) in 2022. Compliance meetings were periodically held with representatives of EMIs and PIs who are responsible for the implementation of AML/CTF measures in order to discuss money laundering and terrorist financing (ML/TF) risks identified by the Bank of Lithuania. In order to ensure compliance of institutions, the Bank of Lithuania sent a [Dear CEO Letter](#) to the heads of the EMIs and PIs on 6 June 2023, as it did in [2021 and 2022](#), which this time aimed to discuss issues related to ensuring proper governance requirements, risk management, implementation of the requirements for the application of the method for calculating equity capital and own capital requirements, compliance with the requirements for the safeguarding of equity capital and customer funds as set forth in the Republic of Lithuania Law on Companies, outsourcing, notifications about members of management bodies of financial market participants and persons who have acquired a qualifying holding in the authorised capital and/or voting rights, and the managing of the ML/TF risks.

Regarding the ensuring of proper governance requirements. The Bank of Lithuania notes that a licence shall be issued to a legal person applying for a licence only if it has put in place sound, comprehensive procedures for the management of the institution's activities that are adequate to the nature, scale and complexity of its activities. The Bank of Lithuania is concerned about the system of governance of institutions where the operational control and risk management mechanism of institutions within a group of undertakings is concentrated in the group of undertakings, while the institutions themselves are responsible for the implementation of the supervisory requirements applicable to them as institutions holding the license. Institutions must ensure that their operational control and risk management process, including the decisions adopted in relation thereto at the institution level, is implemented within the institution and that there is adequate separation of supervisory and management functions within the institution.

Regarding the implementation of the risk management requirements. The Bank of Lithuania recommends and encourages institutions to follow good practices of the risk management standards when preparing their documentation related to risk management, and to indicate in the documents already prepared the risk management standards that have been relied on when filling the content of the documents. In the opinion of the Bank of Lithuania, not only must a risk management strategy and/or risk management policy be developed and approved by the institutions, but it must also be consistently implemented. If the risk management documents prepared by the institutions define the scale of the risk, the limits for each type of risk and if they establish internal procedures for identifying, assessing, monitoring, mitigating and controlling the risks, this would be considered by the Bank of Lithuania good practices. The risk management improvement plan should be developed periodically, but at least once a year. The annual risk management report should contain a description of the overall assessment of the institution's activities and incidents over the past year and provide an overall risk assessment. Establishing a separate post responsible for risk management (e.g. a Risk Manager) is considered to be best practice for risk management in the institutions.

Regarding the timely implementation of equity capital requirements. The Bank of Lithuania observes that some of the institutions ensure the fulfilment of the equity capital requirements only after the reporting date, and only carry out the verification of fulfilment of the capital requirement at the end of the quarter. Institutions themselves are responsible for forecasting, monitoring their equity capital requirements and taking of effective measures so as to ensure a continuing compliance with the equity capital requirements. As no material change in the attitude of the institutions in assessing the importance of compliance with this requirement is observed, the Bank of Lithuania sees the need, in the future, to consider all the circumstances in deciding on the imposition of sanctions for failure to fulfil the equity capital requirements.

Regarding the requirements for applying the method for the calculation of own capital requirement.

As part of supervision of the Institutions, the Bank of Lithuania continuously assesses the compliance with the equity capital requirement. The appropriate level of the own funds requirement, which ensures the sufficiency of the institution's equity capital, which must be sufficient for covering the institution's risk appetite in relation to the provision of payment services, is of no less importance. It is recalled that Paragraph 7 of the Regulations for the Calculation of Initial Capital and Own Funds of Electronic Money Institutions and Payment Institutions approved by Resolution No 03-83 of the Board of the Bank of Lithuania of 24 May 2018 on the approval of the regulations for the calculation of initial capital and own funds of electronic money institutions and payment institutions and the forms of the report on the calculation of initial capital and own funds of electronic money institutions and payment institutions (hereinafter – the Regulations) lays down the methods that must be applied. Institutions should draw their attention to the fact that the institutions, upon individual assessment of their operational risks arising in practice and in order to have a higher level of equity capital than the level calculated by the institution in accordance with the compulsory requirements for the calculation of the own capital set out in the Regulations, may calculate the additional own funds requirement in accordance with the provisions for the calculation of such additional own funds requirement laid down in the internal procedures of the institution. Such actions of institutions are considered by the Bank of Lithuania to be a good practice.

Regarding the compliance with the equity capital requirements set forth in the Law on Companies.

When supervising the institutions, the Bank of Lithuania still finds cases where the institution's equity capital is less than 1/2 of the authorised capital, therefore, expressing its concern about the current situation, the Bank of Lithuania urges the institutions to immediately take action to remedy the situation (to perform the actions referred to in paragraph 2 of Article 59(10) and Article 59(11) of the Law on Companies), and to adopt the decision: to increase the authorised capital and/or to form additional reserves and/or to cover the losses by additional contributions, or to perform other actions.

Regarding the compliance with the requirements for the safeguarding of funds of customers. Analysis of the audit reports submitted by the institutions during the annual mandatory audit of financial statements led to the finding that the audit reports on the internal control procedures applied by the institutions designed to ensure the safeguarding of funds of electronic money holders and/or payment service users are often only limited to stating that the institution has in place the approved written procedures (policies, rules, instructions, etc.) for ensuring compliance with the requirement for safeguarding the funds of customers-electronic money holders and/or payment service users that are followed in practice; that separate accounts are used to account for the issuance of electronic money, the provision of payment services, and other activities; and that the institutions hold customer funds in commercial banks of Member States of the European Union. However, the Bank of Lithuania expects that the audit report should disclose in more detail how, over the past financial year, the institution, in accordance with the institution's written internal procedures ensured the compliance with the requirements for safeguarding of customer funds. The audit report should disclose information and provide observations on compliance with the internal control procedures applied by the institution. It should be noted that in addition to the annual mandatory audit of financial statements, it may be appropriate for institutions to conduct additional audits (internal or external) as needed, e.g., upon a change in the institution's business model (introduction of a new business activity, a payment service), or upon choosing a different method of safeguarding of customer funds, where such a material change may have an impact on the fulfilment of the requirements for safeguarding of customer funds.

Regarding outsourcing. The Bank of Lithuania reminds that the institutions that have outsourced their operational functions to other persons remain fully responsible for compliance with the requirements set out in legal acts, including ensuring information security, incident management and business continuity. Regardless of whether the service provider is a group company or an external supplier, the institutions are required to establish indicators for monitoring the level of quality of the outsourced operational functions, including unacceptable level of quality, data and system security requirements, and to continuously monitor compliance therewith. The main focus of the institutions must be on the control of important functions; they must also establish a reasonable strategy of exit from important operational functions.

Regarding notifications about members of management bodies of financial market participants and persons who have acquired a qualifying holding in the authorised capital and/or voting rights. The Bank of Lithuania reminds that, unless otherwise specified in the legal acts regulating the activities of the respective financial market participant, the financial market participant must notify the Bank of Lithuania immediately, but no later than within 10 business days from the day when the member of the management body and/or key function holder has taken up or left their position, and indicate the name, surname and functions of the person who has taken up or left the position, as well as the date when the person took up or left the position. Furthermore, a financial market participant must submit a notification of the disposal of a proportion of the authorised capital and/or voting rights held by it as soon as it becomes aware of the acquisition of the proportion of the authorised capital and/or voting rights or of the decision taken to dispose the proportion of the authorised capital and/or voting rights in the financial market participant or to reduce it to the size specified in the law regulating the activities of the financial market participant. The decision of the Bank of Lithuania not to object to the candidature of the head of the financial market participant or to a transaction of acquisition of a financial market participant does not mean the appointment of the factual new manager or the acquisition of a qualifying holding of the authorised capital and/or voting rights, and therefore, upon receipt of the decision of the Bank of Lithuania not to object to the candidature of the head or to the proposed acquisition, it is necessary to specifically notify the Bank of Lithuania on the new head that has actually taken up the position or on the persons who have acquired authorised capital and/or voting rights in the institution.

Regarding the management of ML/TF risks. As part of its financial market supervision, the Bank of Lithuania carries out a periodic analysis of the data submitted by institutions to the Bank of Lithuania and continuously assesses the various ML/TF risk factors, including new emerging ML/TF risks. The Bank of Lithuania's webpage contains [recommendations](#) to financial market participants on a variety of relevant issues in the area of AML/CTF, including various recommendations, guidelines and explanations. Annual exhaustive Dear CEO Letters relating to the AML/CTF risks arising in the institution sector and the need to take appropriate and proportionate measures to manage the AML/CTF risks the implementation of which is to be assured by the heads of the institutions, are also published in that section.

During the period under review, the Bank of Lithuania continued to focus on monitoring compliance with the requirements for AML/CTF, equity capital and safeguarding of customer funds. In order to ascertain how institutions manage risks and ensure compliance, the Bank of Lithuania carried out thematic reviews on a sample of EMIs and PIs. As part of its supervision of EMIs and PIs through various inspections, desk reviews and investigations it had identified deficiencies in their internal control, risk management and governance arrangements, and analysed how the EMIs and PIs implement the [requirements for robust internal controls and a management system](#). The analysis assessed the current state of play in the EMI and PI sector, looked at the issues involved and identified potential risks, presenting recommendations for further action. Half of the institutions examined were found to be largely compliant, but there were no fully compliant institutions among those reviewed. It was also found that internal control and management documents were not being reviewed and approved, the responsibilities and accountability of staff and managers were not properly defined, and risk analysis and assessment were not being carried out. Some best practices have also been identified where staff are made aware of human resources policies and related procedures, and these actions are properly recorded and retained, and where the use of new or developing information technology (IT) is evaluated for the purposes of the business to ensure that information is collected, processed and provided in a timely manner. In addition, the internal audit function has been observed to be inadequately implemented or absent in general. Therefore, the Bank of Lithuania analysed and assessed the compliance of the selected EMIs and PIs with the [requirements for the internal audit function](#). The adequacy analysis of the internal audit function found that more than half of the institutions reviewed ensure the internal audit function adequately or with minor deficiencies. However, a significant number of the institutions were found to be significantly deficient in the performance of the audit function, which could result in failure to achieve the internal audit objectives. The institutions fail to maintain continuity in the audited areas and do not pay sufficient attention to the inherent risks (operational, IT and cyber security). There were also good examples observed of periodic updating and approval of the internal procedure descriptions, where not only the strategy for conducting internal audits is regulated, but also the corresponding detailed procedures.

The Bank of Lithuania also conducted a [desk review of the agreements on custody of customer funds concluded with credit institutions](#) and assessed whether the provisions of these agreements ensured adequate and efficient

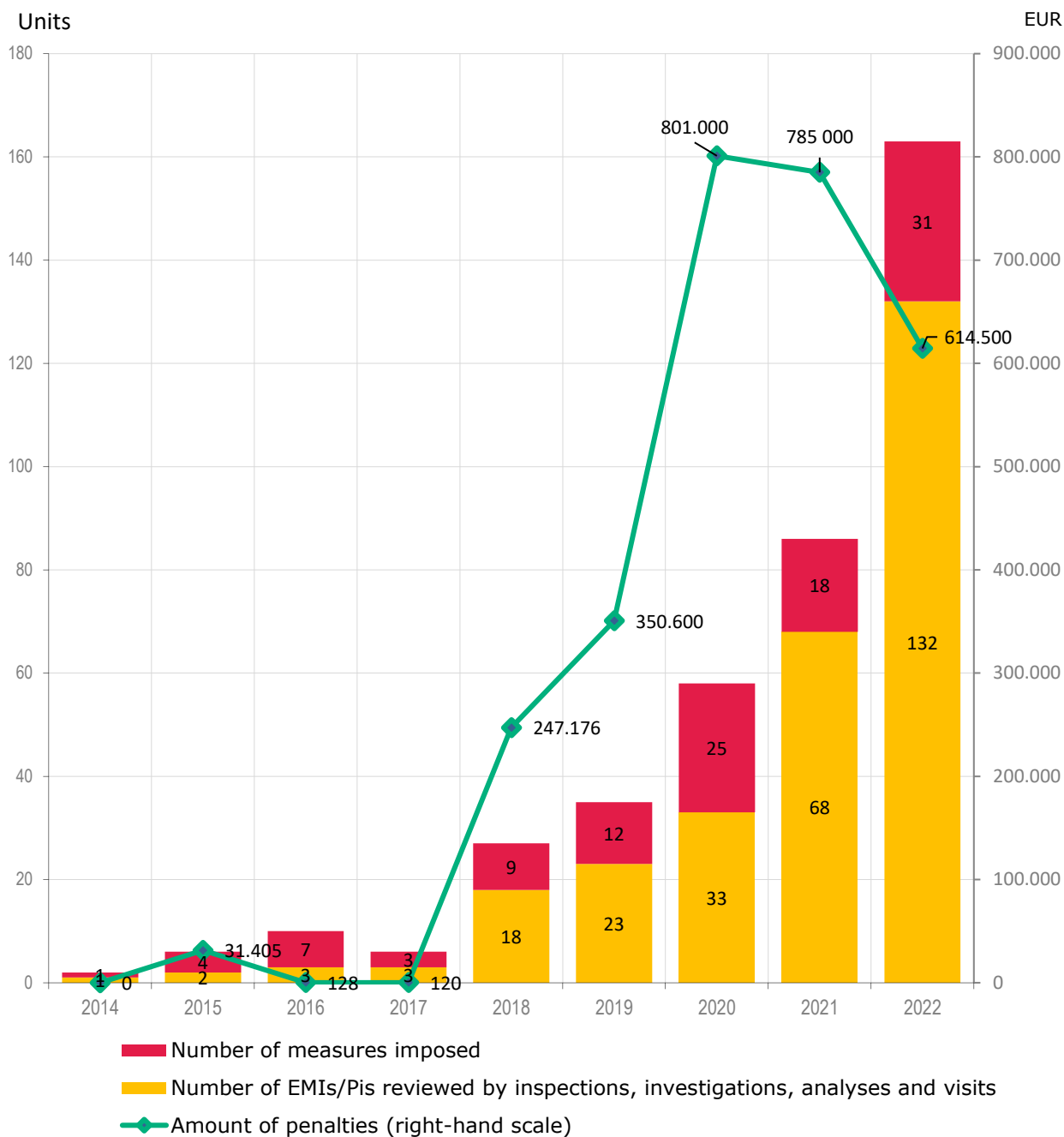
safeguarding of customer funds in accordance with the requirements of Article 25 of the Law on Electronic Money and Electronic Money Institutions of the Republic of Lithuania and Article 17 of the Law on Payment Institutions of the Republic of Lithuania. Just over a quarter of the agreements submitted for evaluation were found to be compliant, 55% were partially compliant and 19% of the institutions were found non-compliant. The non-compliant agreements do not specify that the funds held in the accounts are owned by the customers, do not disclose for whose benefit the account agreement is concluded, do not specify the law under which the account is opened, and do not describe the custodial obligations.

Following the analytic reviews, the Bank of Lithuania summarised the results and published them in one-page publications in order to ensure that both the institutions the activities of which were analysed and the institutions that were not reviewed correct the most common errors and deficiencies, also seeking to draw their attention to the identified best practices. In addition, an analysis of ICT and security risk management in the EMI sector was carried out. In 2022, risk level assessment analyses for operational and IT risks were carried out on 50 EMIs and sectoral analyses for the application of transaction monitoring mechanisms for fraud prevention, etc. were carried out on 6 EMIs. The conclusions and recommendations of the analysis were presented to the sector's representatives.

The Bank of Lithuania regularly updates its website sections on [Frequently Asked Questions \(FAQ\)](#), [trainings](#) and [recommendations for institutions](#), designed specifically for financial market participants, also publishing its position papers and analyses on individual issues.

Ways to reach out to market participants and ensure their compliance are constantly being explored (through Dear CEO Letters and consultative events), but the real situation in a particular institution or sector can usually only be observed during inspections, sectoral analyses or in-situ visits. In 2022, more than 30 inspections, sectoral analyses or in-situ visits were carried out, covering a total of approximately 105 EMIs and PIs. The licences of five institutions have been revoked and penalties have been imposed on 17 institutions (see Chart 1) for infringements in the management of ML/TF risks and/or equity capital risks and/or failure to comply with the requirements of the existing licence for the provision of services, and failure to submit reports in due time. More information on the measures imposed by the Bank of Lithuania is available on the Bank of Lithuania's [website](#).

Chart 1. EMI and PI supervisory actions



Source: Bank of Lithuania.

The Bank of Lithuania has updated and prepared a number of [position papers and guidelines](#) relevant to the EMI and PI sector, which the institutions should take on board and use them to assess their own compliance. On 27 January 2022, the [position paper](#) on crypto-assets and initial coin offerings was updated to include information on the positions published by European Union (EU) institutions and to clarify the terms used.

On 1 March 2022, a [position paper](#) was prepared on the conditions for professional indemnity insurance in cases where EMIs and PIs provide account information services (AIS) and/or payment initiation services (PIS). It takes the view that insurance cover should go beyond the minimum insurance conditions to include personal data protection and cyber risks. The position paper lists the minimum insurance conditions under which insurers operating in our country provide cover to EMIs and PIs. The Bank of Lithuania believes that insurance conditions

should not be limited to the minimum, therefore the position paper proposes to extend insurance coverage. This would make it possible to strengthen the protection of the interests of the institutions' customers and to increase the efficiency of PIS and AIS. According to information in the Bank of Lithuania's possession, the main reasons for insurers' conservative attitude are related to insufficient knowledge and clarity of the insurance risks (PISs and AISs are relatively new on the market) and the undeveloped case law on such insurance.

On 11 October 2022, the Compliance Function Guidelines were published. The Guidelines should improve the general understanding of financial market participants as to how the compliance function is to be implemented, strengthen the authority of the persons responsible for the implementation of the compliance function (Compliance Officers) and influence on the activities of financial market participants, and promote a uniform and consistent implementation of the compliance function of financial market participants.

The Bank of Lithuania has joined the review process of the European Banking Authority's (EBA) response to the European Commission's Call for Advice on the Second Payment Services Directive (PSD2). Proposals to amend PSD2 have been made in various areas of payment services and supervision where challenges have arisen. The EBA's opinion on the PSD2 [review](#) was published on 23 June 2022.

The [description](#) of the procedure for the inclusion of profits in capital, approved by the Resolution of the Board of the Bank of Lithuania of 16 June 2022 on the approval of the description of the procedure for the inclusion of profits in capital, which also applies to EMIs and PIs, details the information to be provided to the supervisory authority in order to obtain the authorisation for the inclusion of interim or year-end profits in the total Common Equity Tier 1 capital.

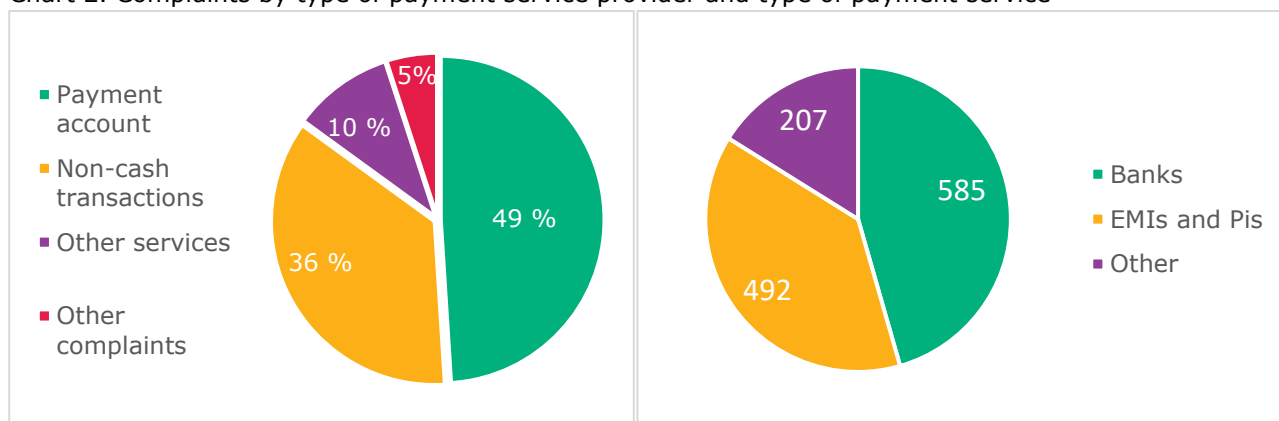
The aim is to ensure the protection of consumers' rights, and therefore the circumstances specified in the applications submitted to the Bank of Lithuania are evaluated in the context of risk-based supervision of financial market participants. Where infringements of legal requirements are found, a decision is taken on whether to conduct a separate investigation or to impose sanctions on the financial market participant.

1,282 applications were examined in 2022: 49% of the complaints dealt with were complaints about payment services, 36% of them were about non-cash transactions, and 10% about other services (see Chart 2).

As for payment accounts, complaints about the termination of the business relationship predominated (accounting for around one-third of such complaints); also, there were complaints about the restriction of using the payment account (which also accounted for around one-third of such complaints). In around 15% of the cases, there were queries for miscellaneous information, and around 8% of them dealt with the issues of opening of an account.

For non-cash transactions, the largest number of complaints were about payments that were not credited, were suspended or not executed, accounting for around one third of the complaints received. Complaints about fraud cases accounted for around 10%, around 10% were about payments related to russia or belarus, and around 10% of the complaints received were about the provision of information. **The largest number of enquiries and complaints received and dealt with were related to Revolut Group payments**, which accounted for 31% of the complaints received.

Chart 2. Complaints by type of payment service provider and type of payment service



Source: Bank of Lithuania.

In order to ensure that consumers can easily and simply find all the relevant information on the complaints procedure and the complaint handling process, the Bank of Lithuania's website has a [section](#) that presents information on consumer complaints. All the most important aggregated information for consumers and market participants on the supervision of services is published in quarterly [one-pagers](#).

In the first quarter of 2022, the Bank of Lithuania drew up the Action Plan for 2022-2025 in order to achieve its strategic objective, which is to improve the quality of payment services and promote market integrity. It focused on ensuring that the provision of payment services meets consumer expectations and on the clarity for consumers of the procedures for tracing or reversing payment transactions, with a view to increasing the value of payment services for consumers. The latter two topics are also addressed in the Dear CEO Letter (4 October 2022). The aim of the Bank of Lithuania is not only that the recommendations set out in the Dear CEO Letter are implemented, but it is also paying particular attention to these areas by carrying out documentary examinations in both areas, which will be used to identify best and worst practices and to develop recommendations.

It is also noteworthy that as of 2021, **the Bank of Lithuania has been focussed a lot on monitoring the de-risking policy situation in Lithuania**. Although the Bank of Lithuania's 2021 survey of risk mitigation (the phenomenon where a payment service provider refuses to enter into a working relationship with a payment service provider or terminates it due to a policy of mitigating the ML/TF risks, i.e. instead of managing the emerging risks, payment service providers do not provide financial services to the particular group of users of payment services or to individual users who pose higher than the usual risk) did not show any such cases in our country, but it highlighted the difficulties that customers encounter with when institutions impose AML/CTF measures on them. In this context, the Bank of Lithuania carried out a public consultation by proposing that areas where customers face the most difficulties should be improved and by asking stakeholders for their views. The results of the public consultation were summarised and a plan of measures was developed to monitor the risk mitigation situation in Lithuania and to improve the experience of customers in the area of implementation of the AML/CTF measures. The Bank of Lithuania aims that financial institutions improve the following areas of activity:

- Institutions' communication with customers in the area of application of AML/CTF measures (websites, FAQs, leaflets, consultation processes);
- KYC and business relationship monitoring processes (adaptability of questionnaires to different user groups, simplification of updating of questionnaires, real-time consulting and support on filling in information and submitting documents);
- Processes for restricting payment accounts and/or suspending payment transactions (provision of information to the customer on the suspended transaction, time restriction applied; lifting of the restriction as soon as the reasons have been removed, suspension of transactions for up to 3 weeks in the case of international sanctions).

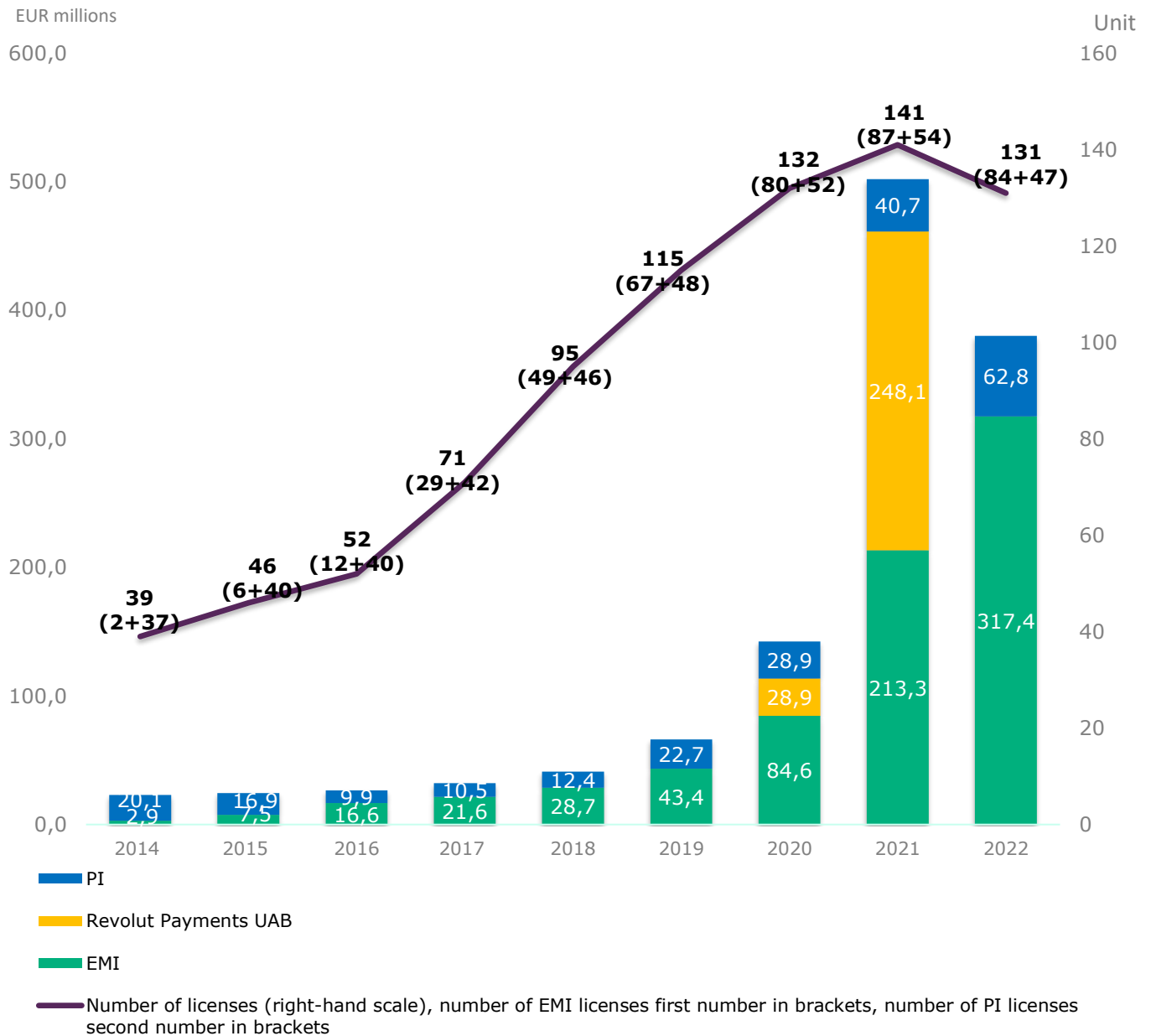
Expectations for improvement in these areas were expressed in the Bank of Lithuania's Dear CEO Letter to financial institutions. This year, the Bank of Lithuania will monitor the implementation by institutions of the recommendations set out in the Letter. It will also monitor whether the accessibility of financial services to users of payment services is ensured and risk aversion actions are not applied, and whether the termination of and/or non-entering into a business relationship would be used as a last resort in risk management, when other risk management measures have already been used previously.

The plan of measures developed by the Bank of Lithuania provides for measures to monitor the practices of application of risk mitigation policies and to put in place measures and processes to ensure such monitoring. Until the reporting obligation is formally established, the Bank of Lithuania invites institutions to voluntarily (in a free form) provide information on cases where cooperation relationships are terminated and/or not entered into due to the excessive risk that falls on institutions. It should also be mentioned that the EBA has published for public consultation the Guidelines on accessibility to financial services. Once these Guidelines are adopted, the Bank of Lithuania will take steps to transpose them into national law.

PERFORMANCE OF EMI'S AND PI'S LICENSED IN THE REPUBLIC OF LITHUANIA

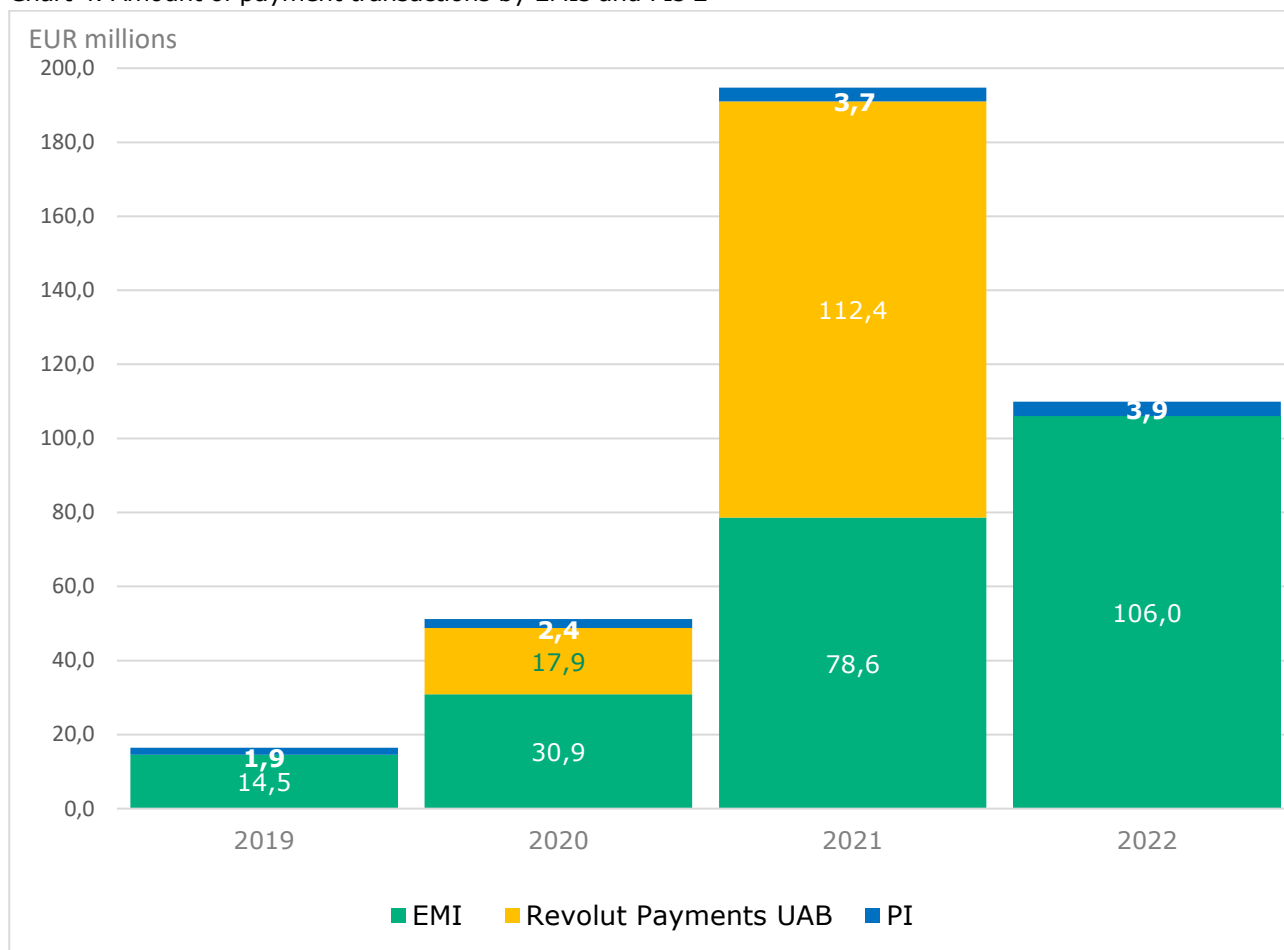
During the period under review, an expansion of the sector continued to be observed. While the EMI and PI sector shrank over the year (down by 10 institutions – three EMIs and seven PIs), excluding the figures of Revolut Payments UAB that became part of the banking sector, the sector's revenue from licensed activities increased to €380.2 million, or 1.5 times more than in 2021 (see Chart 3), and the amount of payment transactions to €103.6 billion (1.2 times year-on-year) (see Chart 4).

Chart 3. Revenue from licensed activities and number of EMI and PI licences



Source: Bank of Lithuania.

Chart 4. Amount of payment transactions by EMIs and PIs 2



Source: Bank of Lithuania.

Change in the number of EMIs and PIs. During the period under review, the number of EMIs and PIs operating in Lithuania fell by 7 percentage points to 131 at the end of the year. As at 31 December 2022, the public list of electronic money and payment institutions included 84 EMIs and 47 PIs, of which four EMIs and 11 PIs held a licence for restricted activity¹ only valid in the Republic of Lithuania, and four PIs held the licence for the provision of AIS.² In the course of 2022, the Bank of Lithuania examined and issued five new licences for EMIs or PIs, and revoked 15 of them (some of the licences were revoked at the request of the institutions themselves, and some as a result of the imposition of a sanction).

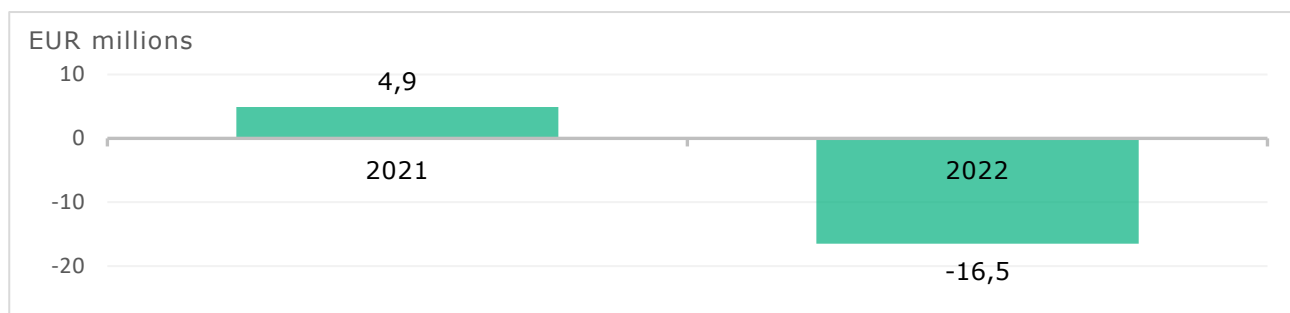
During the period under review, the interest in obtaining an EMI or PI licence issued by the Bank of Lithuania increased significantly. As part of the Newcomer programme, 234 potential market participants (81 in 2021) interested in licensing opportunities in Lithuania approached the Bank of Lithuania in 2022. The majority (47%) of those that applied were interested in EMI and PI licences. In terms of geography, the highest level of interest came from companies based in Lithuania (19%) and the United Kingdom (18%). The available statistics show that EMI and PI licences issued in Lithuania are still relevant and interest remains high.

The sector closed 2022 with a loss of €16.5 million. 2021 was profitable (excluding the share of profit of Revolut Payments UAB), with a profit of €4.9 million (see Chart 5).

¹ The average amount of electronic money outstanding under a licence for restricted activity must not exceed €900,000 per month and/or the average amount of payment transactions executed in the last 12 months must not exceed €3 million per month.

² This type of licence does not impose capital requirements, but it does require professional indemnity insurance or a similar guarantee.

Chart 5. The sector's operating result before tax



Source: Bank of Lithuania.

The sector became loss-making, with a decline in the proportion of profitable institutions (43% of the institutions were profitable in 2022 and 47% in 2021) **and an increase in the operating loss incurred by the institutions** (as high as a 45% increase in the average loss incurred by the institutions which amounted to €623.9 thousand in 2021 and €899.0 thousand in 2022). The total loss incurred by the institutions increased by €22 million from €33.7 million in 2021 to €55.7 million in 2022. Seven institutions suffered losses of more than €1 million in 2022 (their losses amounted to €34.2 million, while in 2021, there were six such institutions with losses of €22.8 million).

The share of profitable institutions decreased, but their profits did not go down (profit before tax stood at €38.6 million in 2021 and €39.2 million in 2022) and the average profit before tax fell slightly by around 3 percentage points. Similarly to the previous period, **10 institutions** (9 last year) **accounted for around 80% of the profits**, with more than €1 million in profit before tax. **As in 2021, one market participant accounted for around a third of the sector's profits.**

The EMI and PI market is still developing, with the break-even point achieved by companies in their third year of operation on average.

The average number of staff³ employed by EMIs and PIs which are obliged to submit the annual statements and which mainly engage in the provision of licensed services **increased by 48% per year and stood at 1,870** (1,265 in 2021), and 1,473 of jobs were created on average in Lithuania (1,051 in 2021).

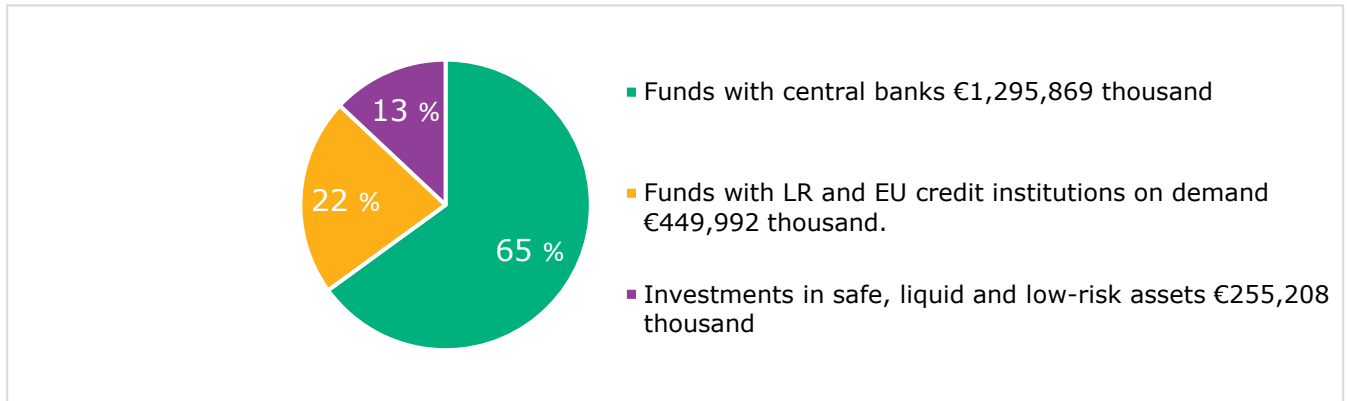
During the period under review, **most of the customer funds held by EMIs and PIs (€1.3 billion) was comprised by an amount held with the Bank of Lithuania**, followed by funds held with Lithuanian and EU credit institutions, with part of customer funds invested in safe and liquid, low-risk assets⁴ (see Chart 6). The average amount of e-money outstanding⁵ at the end of 2022 decreased by around three times compared to the end of 2021, reaching nearly €1.9 billion (around €5 billion in 2021, of which Revolut Payments UAB accounted for almost €3.5 billion). **Excluding the share of Revolut Payments UAB, the average amount of e-money outstanding grew by 24%** (see Chart 6).

³ Average number of employees (calculated in accordance with the Labour Code of the Republic of Lithuania).

⁴ Investments in safe, liquid and low-risk assets consist of deposits and investments in debt and equity securities.

⁵ Average outstanding electronic money is calculated as the average of the total amount of an EMI's financial liabilities related to electronic money issued at the end of each day during the last six months.

Chart 6. Customer funds held by EMIs and PIs



Source: Bank of Lithuania.

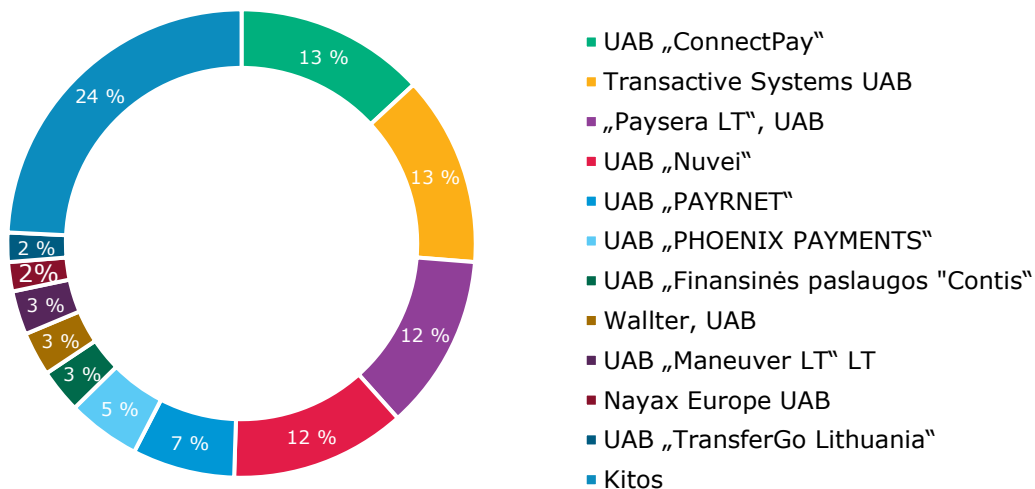
Following the exit in 2022 of Revolut Payments UAB, the participant with the largest market share in 2021, the sector's revenue from licensed activities fell by around a quarter and the amount of payment transactions by almost half. Excluding the share of Revolut Payments UAB from the 2021 data, **the sector's operating income from licensed activities increased by about one and a half times** (€380.2 million in 2022, €254.0 million in 2021), **the amount of payment transactions – by a little more than one-quarter** (€103.6 billion in 2022, €82.3 billion in 2021).

As in 2021, the major market share was held by several institutions. In terms of the total amount of payment transactions carried out in the last 12 months, the market shares of four institutions – UAB "ConnectPay", Transactive Systems UAB, "Paysera LT", UAB, UAB "Nuvei" – accounted for 50% of the market, while the market shares of the other participants were below 10%.

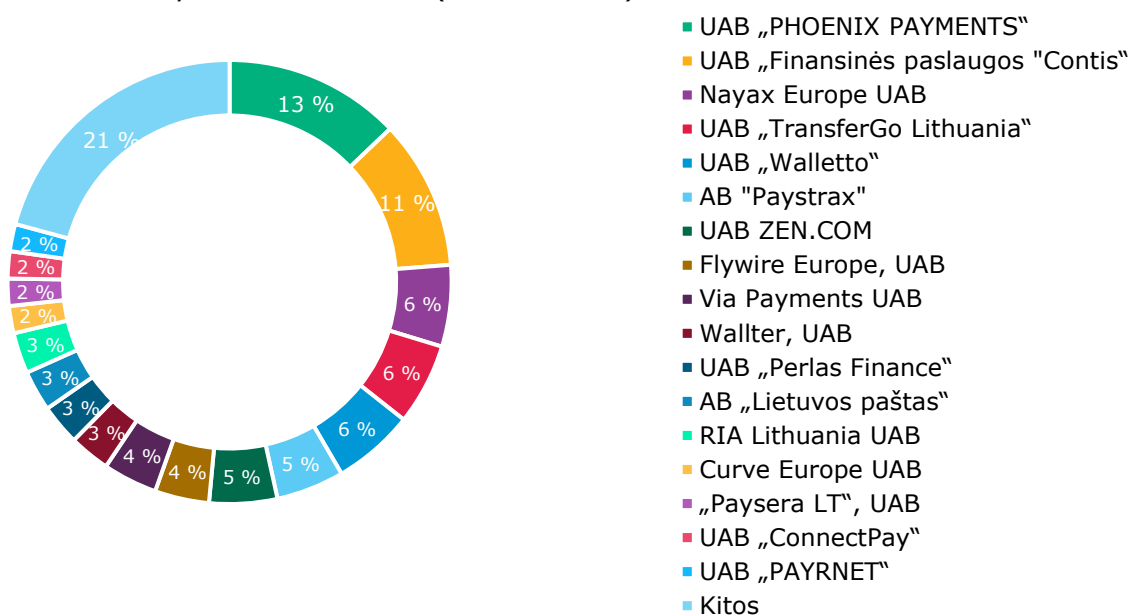
Looking at the institutions in terms of licensed revenue, only two institutions – UAB PHOENIX PAYMENTS, UAB Finansinės paslaugos Contis – held a market share of more than 10%.

Chart 7. Largest EMIs and PIs by licensed revenue and amount of payment transactions (market share)

Largest EMIs and PIs by the amount of payment transactions (market share)



Largest EMIs and PIs by licensed revenue (market share)



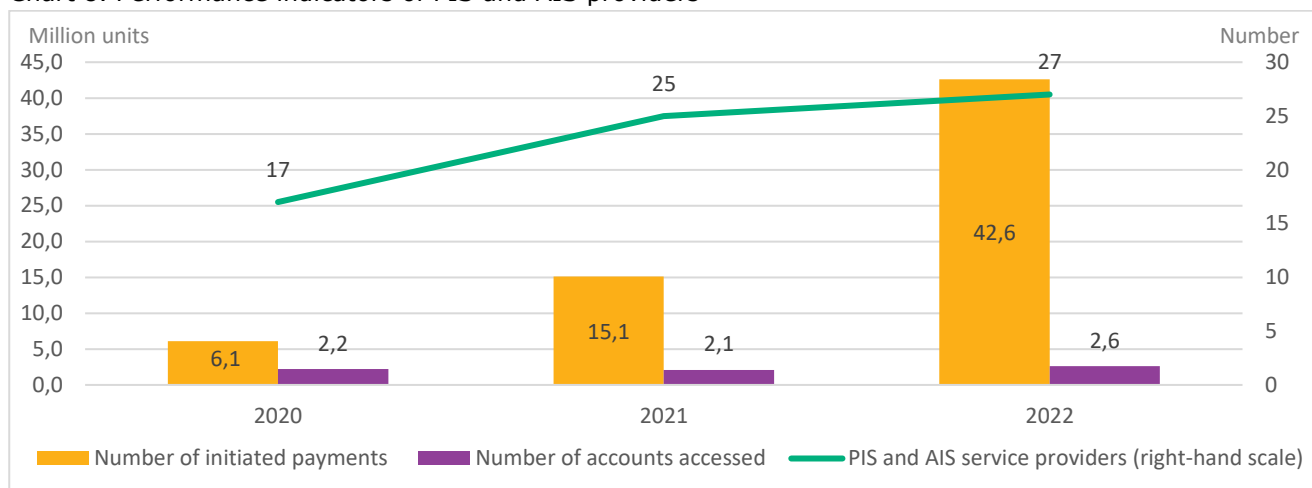
Source: Bank of Lithuania.

The number of EMIs and PIs that provided PIS⁶ and/or AIS⁷ continued to grow during the period under review. Compared to 2021, the number of EMIs and PIs entitled to provide PIS and/or AIS grew by two institutions (in 2021, it was 25, and 27 in 2022). The number of initiated payments increased by more than three times during the year to 47.4 million (15.1 million in 2021), while the number of accounts accessed by AIS providers was slightly more than 2.6 million in the reporting period (2.1 million in 2021) (see Chart 8). PIS providers offer the possibility to assure the payee (the merchant) that the payment is initiated so that they can send the goods or provide their services immediately. With such services, merchants and consumers are offered an alternative solution to Bank link service. Furthermore, consumers are provided with the opportunity to shop online even if they do not have payment cards. AIS providers collect and make available to the service user in a convenient form (phone, web account, etc.) the information collected from their other accounts with different credit institutions, EMIs and PIs, enabling the service user to monitor their balances, to review their history of expenditures and to have information on the payment transactions completed. Business models are emerging where, with the customer’s consent, AIS is used to provide the customer with other financial services, such as consumer credit or a certain insurance product, to enable an assessment of the customer’s creditworthiness before extending credit, or similar.

⁶ PIS means a service of initiation of a payment order at the request of the payment service user with respect to a payment account held at another payment service provider. By providing only PIS, the payment initiation service provider does not acquire the consumer’s funds at any stage of the payment chain.

⁷ AIS means a service whereby consolidated online information is provided on one or more payment accounts held by a payment service user with one or more other payment service providers.

Chart 8. Performance indicators of PIS and AIS providers



Source: Bank of Lithuania.

EMIs and PIs had over 3 million active customers in 2022. In 2022, compared to 2021, **the total number of customers of EMIs and PIs decreased by almost three times**, i.e. from 9.8 million to 3.3 million of active customers with whom a business relationship is established, and the total value of payments made by customers fell by 55%, i.e. from €73 billion to €33 billion. This significant **decrease** in the number of customers and turnover in the sector **was due to the decision of 1 July 2022 of Revolut Bank UAB to merge its two companies**, by revoking the licence of the EMI Revolut Payments UAB and **transferring all customers to Revolut Bank UAB**.

Nearly two thirds of the payment transaction turnover was accounted for by payments made by legal persons. In terms of the value of payment transactions, payments to and from the United Kingdom of Great Britain and Northern Ireland and the EU dominated. As shown by the reports on the monitoring of the implementation of the AML/CTF measures as of 31 December 2022 provided by EMIs and PIs, **the value of payment transactions to and from the United Kingdom of Great Britain and Northern Ireland accounted for 10% of the value of payment transactions**, while the **analysis of payments** between EU Member States showed that Germany (9% of payment transactions), Ireland (9% of payment transactions) and Lithuania (7% of payment transactions) were at the forefront. In the EMI/PI sector, the highest payment transaction turnover (64%) was generated by payment transactions made by customers (legal persons), although their share, compared to the total number of customers, comprised mere 4%. The value of payment transactions remained similar in 2022 compared to 2021, with payments in the EU accounting for 77% of total payments in the sector in both 2021 and 2022. In 2022, as in 2021, payments to and from high-risk countries accounted for 2% of total sector payments. On the other hand, the number of payment transactions to and from the target territories and third countries decreased, i.e. payments from target territories fell from 1% (in 2021) to 0.3% (in 2022), while payments to and from third countries grew by 1%, i.e. from 20% to 21% of the total value of payments in the sector.

The distribution of non-resident customers (by nationality) changed little in 2022 compared to 2021 (see the table). **The largest number of non-resident customers of EMIs and PIs are in the EU – around 98%**, some 2% in third countries and 0.2 in high-risk countries. Compared to 2021, **a decrease in the number of customers from high-risk countries can be observed**, with such customers accounting for 1.8% of all the sector's customers back in 2021. While the total number of customers in the sector fell significantly in 2022, the share of non-residents in the sector did not change significantly. Non-resident customers accounted for 91% of the sector's customers in the fourth quarter and 96% in the second quarter of 2022.

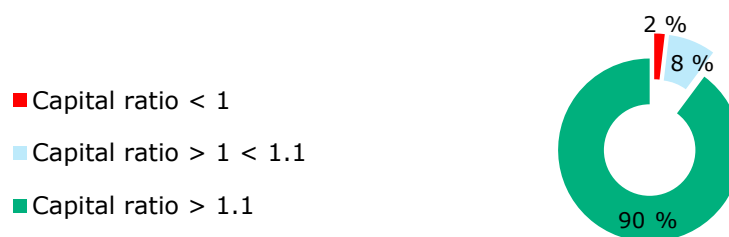
Number of customers of EMIs and PIs by country group (by nationality), percentages

Country type	Number of customers	
	2021	2022
High-risk countries	1.8	0.2
European Union	90.9	97.5
Target territories	0.2	0.02
Third countries	7.1	2.2

Source: Bank of Lithuania.

Compliance with prudential requirements must be ensured on a continuous basis with sufficient reserve. Most of the EMIs and/or PIs with a licence for restricted activities were compliant with the requirement for the average e-money outstanding and/or average amount of payment transactions as of the reporting date. The equity ratio is calculated as the ratio of the available equity capital to the calculated equity capital requirement and must be at least 1. As of 31 December 2022, **90% of the EMIs and PIs exceeded the mandatory equity ratio**, which in their case was above 1.1 (see Chart 11). However, two of the EMIs had to take measures to ensure that their calculated own funds were brought at least to be equal to the equity capital requirement. Information on the key annual and quarterly performance indicators of each [EMI](#) and [PI](#) as well as on their compliance with prudential requirements is published on the website of the Bank of Lithuania.

Chart 9. Capital ratio for EMIs and PIs



Source: Bank of Lithuania.

In addition, the Bank of Lithuania publishes quarterly sectoral overviews in summarised [one-pagers](#).