



# Survey of the Activities of Electronic Money Institutions

## 2015

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**Public list of electronic money institutions.** On 1 January 2016, the public list of electronic money institutions had registered six electronic money institutions, of which three operated only in the Republic of Lithuania (holding a licence for restricted activity only valid in the Republic of Lithuania and providing that monthly average outstanding electronic money would not exceed EUR 900 thousand). In 2015, licences to issue electronic money and provide payment services established in Article 5 of the Law on Payments were issued to four corporations. Besides *MisterTango*, *UAB*, and *UAB Libera exosculatio*, which received their licences in the earlier quarters of 2015, in Q4 licences were issued to *UAB NEO Finance* and *UAB Perlo paslaugos*. One electronic money institution, *EVP International, UAB*, exercised the right to issue electronic money and provide payment services through intermediaries without establishing a branch in other European Union Member States.

**Activities performed.** According to the audited (where audit is obligatory) and shareholder-approved financial statements, over 2015 electronic money institutions earned EUR 7.5 million in income from electronic money issuance and provision of payment services. Year on year, this amount increased 2.6 times, while the largest part of its growth was a result of the volume of the activity of the provision of payment services by *UAB Perlo paslaugos*, which received an electronic money institution licence in 2015. In 2015, *UAB Libera exosculatio* and *UAB Perlo paslaugos* did not provide electronic money services. Electronic money institutions, as in previous periods, were engaged in economic and commercial activities; however, the electronic money issuance and provision of payment services activities accounted for the greater share in the activities of electronic money institutions. Over 2015, the ratio of income from electronic money issuance and the provision of payment services to the total income received by electronic money institutions amounted to 63 per cent, decreasing by 8 p.p. over the year.

As of 1 January 2016, average outstanding electronic money, calculated as the average of the total amount of financial liabilities related to the electronic money issued at the end of each day during the last six months, amounted to EUR 15.7 million, an increase of EUR 6.2 million, or 1.7 times, year on year. As in previous periods, the increase of this indicator was led by the rapid expansion of one electronic money institution.

**Compliance with prudential requirements.** On the reporting date, electronic money institutions that had a licence for restricted activity were in compliance with the average outstanding electronic money (not exceeding EUR 900 thousand per month) requirement. One electronic money institution (*UAB Perlo paslaugos*), for not being in compliance with the own funds requirements, compulsory for electronic money and payment institutions, were given a warning by the Bank of Lithuania Supervision Service and were obligated to ensure compliance with the own funds requirement by 30 September 2016.

In complying with the safeguarding requirements for the funds of electronic money holders obtained in exchange for electronic money issued and payment services provided, electronic money institutions held them in accounts opened with credit institutions, and as secure and liquid assets involving low risk (time deposits with credit institutions, cash).

### Change in the key financial items of electronic money institutions

EUR thousands

Seq. No	Indicator	31/12/2012	31/12/2013	31/12/2014	31/12/2015
1.	Average outstanding electronic money	894	3,991	9,531	15,686
2.	Income from electronic money issuance and provision of payment services	992	1,230	2,929	7,467
3.	Own funds requirement	350	350	350	1,270
4.	Own funds	352	361	291	1,204

Source: Bank of Lithuania calculations.

Note: Items 3 and 4 are not applicable to institutions having a licence for restricted activity.

**Future changes in the field of legal regulation of electronic money institutions.** Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (hereinafter — [PSD2](#)) was approved on 25 November 2015. PSD2 was supplemented with new services: the payment initiation service and information on accounts service. The

renewed rules will create more opportunities for consumers who do not have credit or debit cards, or who do not want to use them, to pay online. The new payment service providers will have to ensure the security of transfers and payer data, as well as not share payment information without the customers' permission. The Bank of Lithuania has prepared the [principles](#) of good practice for the new service in Lithuania — the payment initiation service — and invites potential providers of this service, during the transition period, to voluntarily undertake to comply with high business and security standards.

PSD2 has to be transposed into national law by 13 January 2018. Electronic money institutions that have an electronic money institution licence will be able to continue operations, without complying with the PSD2 requirements, until 13 July 2018, while institutions *having a licence for restricted activity* — until 13 January 2019. Taking into account the provisions of PSD2, legal acts, regulating the operations and supervision of electronic money institutions, will be reviewed and amended.

### On 30 June 2015, the Seimas of the Republic of Lithuania approved the draft Amendments to the Law on Payments.

They implement Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (Payment Accounts Directive, PAD). PAD aims at ensuring a simple comparison of fees of payment service providers, an uncomplicated payment account switching from one service provider to another, and improving access to payment accounts with basic features for consumers. In implementing the Directive, not only the objectives of the Directive were taken into account, but it was also aimed to create a further incentive for consumers to use electronic payment instruments instead of cash; thus the draft Law will include provisions that would provide preconditions for reducing the price of the basket of operations usual for consumers down to that not higher than the region's average.

**Republic of Lithuania draft Law on Crowdfunding was submitted to the Government of the Republic of Lithuania.** The Draft was prepared in line with the proposals submitted to the Government regarding regulatory arrangements, which would encourage the use of the small and medium-sized business financing instruments. The draft Law creates legal certainty on pooled funding activities for subjects wishing to pursue them — the terms and conditions for pursuing these activities are established, as well as the necessary safety net for investor interests and the supervisory authorities' rights and obligations in performing supervision of the activities of crowdfunding platform operators. The **draft Subordinate Legal Acts on Crowdfunding** were prepared and agreed on with market participants. They will be approved by decisions of the Board of the Bank of Lithuania, once the aforementioned Law comes into effect.

**Settlement of disputes.** In 2015, one dispute related to the services provided by electronic money institutions was settled at the Bank of Lithuania. The dispute was related to the application of responsibility for unauthorised payment transactions. In the opinion of the Bank of Lithuania, the payment service provider, in offering payment service users a payment instrument (tool for logging in to the payment account) and without establishing concrete terms and conditions for using it, must bear the losses incurred by the payment service providers due to unauthorised payment transactions. A payment service provider cannot presume that a payment service user knows the subtleties of using information systems and the risks raised by them; therefore, it has to take effective action for these risks to be managed (e.g. not offer payment service users unsafe ways to login to their payment accounts) or present payment service users with concrete directions for using payment instruments.

### Key performance indicators of electronic money institutions

(31 December 2015; EUR thousands)

Seq. No	Electronic money institution and code	Liabilities to natural and legal persons for outstanding electronic money and payment services provided	Total liabilities	Average outstanding electronic money	Total turnover of payment transactions, not related to electronic money, performed over the past 12 months	Income related to electronic money issuance and/or provision of payment services	Total revenue	Own funds requirement (not applied to electronic money institutions having licence for restricted activity)	Calculated own funds (not applied to electronic money institution having licence for restricted activity)
1.	ANTIGRAVITY PAYMENT SYSTEMS, 302552395	50	95	13	0	7	13	–	–
2.	EVP International, 300060819	19 584	20 910	15 459	992 247	3 463	6 260	377	389
3.	Libera exosculatio, 303227757	0	5	0	0	0	0	350	350
4.	MisterTango, 303262295	186	323	174	10 989	0	25	–	–
5.	NEO Finance, 303225546	47	357	40	92	1	1	–	–
6.	Perlo paslaugos, 301169732	4 173	6 412	0	381 430	3 996	5 604	543	465
	<b>Total</b>	<b>24 040</b>	<b>28 102</b>	<b>15 686</b>	<b>1 384 758</b>	<b>7 467</b>	<b>11 903</b>	<b>1 270</b>	<b>1 204</b>