



LIETUVOS BANKAS

Review of the Activities of Payment Institutions

2013

ISSN 2335-8211 (ONLINE)

Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged. © Bank of Lithuania, 2014

Gedimino pr. 6, LT-01103 Vilnius
Tel. +370 5 268 0029, fax +370 5 268 0038

www.lb.lt
info@lb.lt

ACTIVITIES PERFORMED¹

In 2013, the payment institution licensing process continued: four licences for the provision of payment services were issued, for 1 payment institution (*Mokėjimo terminalų sistemos, UAB*) its licence was changed (a payment institution licence was granted, having revoked its former payment institution licence for restricted activity (waivers) because of having exceeded the average amount of payment transactions performed within the last 12 months, set forth by the Republic of Lithuania Law on Payment Institutions (hereinafter — Law), i.e. LTL 1 million per month. In Q4 2013, two licences were granted: a payment institution licence — to *TT Express UAB*, a payment institution licence for restricted activity (waivers) — to *UAB KAPKA*; the payment institution *UAB Virtualių paslaugų operatorius* expanded its list of agents to which it outsources the provision of its payment services.

As of 1 January 2014, 32 payment institutions were registered in the Public List of Payment Institutions. Out of all payment institutions, 23 held licences entitling to provide payment services in the Republic of Lithuania and other European Union Member States (the payment institution *TT Express UAB* has exercised this right), 9 — payment institution licences for restricted activity (waivers) only valid in the Republic of Lithuania and providing that the average amount of payment transactions performed by a payment institution over the last 12 months is not above LTL 1 million per month. It should be noted that out of all payment institutions holding licences, only 3 provided not the money remittance payment service, but the payment service provided by a mobile communication network operator.

Most payment institutions, as in previous periods, were engaged in economic and commercial activities, while providing payment services as additional services only; hence, both the share of income from the provision of payment services activity and the share of debt for payment services provided on the reporting date, as on the previous reporting dates, was small and accounted for 3.8 per cent and 2 per cent of total liabilities respectively.

The total turnover of payment transactions performed by payment institutions in 2013 amounted to LTL 6.9 billion. It expanded by LTL 0.9 billion year on year and LTL 47 million, or 0.7 per cent over the fourth quarter. In 2013 payment institutions' income earned from the provision of payment services amounted to LTL 67 million, an increase of LTL 2 million, or 3 per cent year on year. This was due to an increase in the income from the provision of payment services of 12 payment institutions in 2013. As in the previous reporting periods, in 2013 the system of payment institutions was dominated by a few payment institutions — the share of 3 payment institutions accounted for the largest share of income and of the total turnover of payment transactions (71% of each).

AB Lietuvos paštas in 2013, as in the previous year, held a significant share of the entire system of payment institutions by volume of payment services provided. Its income from the activity of the provision of payment services in 2013 accounted for 42 per cent of the total income of the payment services of payment institutions. This company made 43 per cent of the total turnover of payment transactions of payment institutions in 2013.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

All payment institutions complied with the safeguarding requirements for funds received from the payment service users, set forth in the Law on Payment Institutions, separated these funds from the funds of other natural or legal persons, and held them in the accounts of credit institutions. As of the reporting date 7 payment institutions applied also another safeguarding method for the funds of the users of payment services — they had concluded warranty (guarantee) contracts with an insurance undertaking or a credit institution on the insurance of these funds.

As of 1 January 2014, all payment institutions complied with the requirement for the initial capital set forth in the Law. 1 payment institution did not comply with the own funds requirement, i.e. its own funds requirement exceeded the amount of its own funds.

As of 1 January 2014, the total amount of the own funds of payment institutions was LTL 140 million. In 2013, 3 payment institutions increased their authorized capital to enhance their own funds base. 1 payment institution, seeking to cover accumulated operating loss, decreased the company's authorised capital by the respective amount. Total own funds requirement (calculated by applying one of the Bank of Lithuania-approved methods chosen by a payment institution) as of the aforementioned date amounted to LTL 7.5 million (for 5 payment institutions this amount increased due to an increase in their activity volumes). Due to rather low volumes of payment transactions and other financial data, used in calculating the amount of own funds requirement, the own funds requirement of 10 payment institutions did not exceed the amount set forth in the Law (EUR 20 thousand). It should be noted that out of 23 payment institutions which must comply with the own funds requirement, 20, in calculating their own funds requirement, applied method B, which is based on the average amount of payment transactions in the course of 12 months, 2 — method C, which is based on payment services income and expenses, and 1 — method A, which is based on fixed expenses of a payment institution.

¹ Prepared on the basis of shareholder-approved (audited, where audit is mandatory) financial statements.