ACTIVITIES OF FINANCIAL MARKET PARTICIPANTS

LIETUVOS BANKAS

Review of the Activities of Payment Institutions 2012

ISSN 2335-822X(ONLINE)

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

www.lb.lt
info@lb.lt

ACTIVITIES PERFORMED[1]

The payment institution licensing process, which started last year, continued into 2012: nine payment institution licences for the provision of money remittance services were issued, of which seven payment institutions validated their previously performed activities — transfer of utility payments and delivery of social benefits. In the first half of 2012 growth in the number of payment institutions was stronger, whereas in the second half-year, once two payment institutions were issued electronic money institution licences and renounced payment institution licences, their total number did not increase.

As of 1 January 2013, twenty eight payment institutions were registered in the Public List of Payment Institutions. Of these, 20 held licences entitling to provide payment services in the Republic of Lithuania and other European Union member states, 8 — 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 within 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 2 provided not the money remittance service, but the payment service provided by a mobile communication network operator.

Most payment institutions, as in previous periods, carried out economic and commercial activities, providing payment services as additional services only, hence the debt of all payment institutions for payment services on the reporting date accounted for a small share (5.6%) of total liabilities. However, in 2012, as compared to a year ago, more payment institutions received income solely from or almost solely (over 90% of total income) from the provision of payment services activity (over the year, the number of such payment institutions increased from 2 to 7).

The total turnover of all payment institutions' payment transactions performed in 2012 amounted to LTL 6 billion. It slightly increased in the fourth quarter (LTL 154 million, or 2.6%). In 2012 payment institutions' income earned from the provision of payment services made LTL 65 million, an increase of LTL 10 million, or 18% year on year. This was driven mainly by an increase in the number of payment institutions in 2012.

One payment institution (AB *Lietuvos paštas* (Lithuanian Post Office)) in 2012, 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 2012 accounted for 47 per cent of the total income of the payment services of payment institutions. This company made 49 per cent of the total turnover of payment transactions of all payment institutions in 2012.

COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

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

All payment institutions complied with the safeguarding requirement, established in the Law on Payment Institutions, for the funds of payment service providers or for the funds received from another payment service provider, separated these funds from the funds of other natural or legal persons who are not the users of payment services, and held them in the accounts of credit institutions. On 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 2013, all payment institutions complied with the requirements for the initial capital and own funds established in the Law on Payment Institutions. As of 1 January 2013, the total amount of the own funds of payment institutions made LTL 138 million. In 2012, two payment institutions increased their authorized capital to enhance their own funds base.

Total own funds requirement (calculated by applying one Bank of Lithuania-approved method chosen by a payment institution) on the aforementioned date amounted to LTL 7.1 million (compared to the third quarter of 2012, for 5 payment institutions the amount specified above changed, driven by an increase in their activity volumes). Due to rather low volumes of payment transactions and scarce other financial data used in calculating the amount of own funds requirement, the own funds requirement of 8 payment institutions did not exceed the amount established in the Law (EUR 20 thousand).

It should be noted that out of 20 payment institutions, which must comply with the own funds requirement, 17, in calculating their own funds requirement, applied method B, which is based on the average amount of payment transactions performed in the course of recent 12 months, 2 — method C, which is based on payment services income and expenses, and method A, which is based on the fixed expenses of a payment institution. In 2012, one payment institution, on approval by the Bank of Lithuania, changed its own funds requirement calculation method.

As of 1 January 2013, one payment institution exceeded the requirement established in the Law on Payment Institutions, applicable to payment institutions holding a payment institution licence for restricted activity (waiver). The average amount of payment transactions performed during the recent 12 months stood at above LTL 1 million per month. The payment institution, sticking to the requirement established in the Law on Payment Institutions, applied to the Bank of Lithuania and submitted necessary documents and data regarding the change of its payment institution licence for restricted activity (waiver) into a licence of a payment institution. It must be obtained when the established average amount of payment transactions performed during the last 12 months — LTL 1 million — is exceeded.