



**European Bank**  
for Reconstruction and Development

# SECURITIES MARKETS LEGISLATION ASSESSMENT PROJECT

## 2007 ASSESSMENT

*based on legislation in force on 1 June 2007*

## LITHUANIA

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## **2007 ASSESSMENT: EXECUTIVE SUMMARY**

In Lithuania the basic legislation on the securities market is comprised by Law on Securities and Law on Financial Markets Instruments of the Republic of Lithuania both enacted in early 2007, as well as the Law on Companies of the Republic of Lithuania passed in 2000 and amended in 2007.

The Law on Securities regulates the procedure for the drawing up, approval and publication of prospectuses, disclosure and storage of periodic and current information, submission of takeover bids. This law also defines the rights and duties of the Lithuanian Securities Commission. The Law on Financial Markets Instruments of the Republic of Lithuania establishes the requirements to financial brokerage firms, including licensed credit institutions providing investment services and/or engaged in investment activities, and regulated markets. The Law on Companies of the Republic of Lithuania regulates the incorporation, reorganisation and liquidation of public and private limited liability companies, their management and activities, the rights and duties of their shareholders. This law also regulates some issues related to the shares and bonds, issued by the public and private limited liability companies.

The securities market legal framework was most recently amended by passing two abovementioned laws in early 2007, which were better harmonized with the EU legislation and consequently replaced the old Law on Public Circulation of Securities of the Republic of Lithuania.

There are currently no disclosed major plans to reform the legal framework of securities market regulation.

The securities market regulator is the Lithuanian Securities Commission, which is competent in regulating and supervising of securities market including pension funds. Bank of Lithuania is responsible for the supervision of the licensed credit institutions providing investment services and/or engaged in investment activities, Insurance Supervisory Commission of the Republic of Lithuania is in charge for the insurance.

There is a regulated market in Lithuania which consists of one stock exchange – OMX Vilnius Stock Exchange and then there are transactions made outside of the regulated market of which the Lithuanian Securities Commission has to be informed. In 2006, the capitalization of the market was approximately 8,7 billion Euro while the number of listed companies was 43.

Clearing and settlement of securities is performed by the Central Depository of the Republic of Lithuania.

There are two SROs in Lithuania: the Vilnius Stock Exchange and the Central Depository.

There are 27 CISs, with a market value in 2006 equal to 241 million euro.

## 2007 ASSESSMENT CHECKLIST FOR SECURITIES MARKET LEGISLATION

### Section I – Basic Information about Securities Market Related Laws and Regulations

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
1.	Law on Securities	Parliament of the Republic of Lithuania	January 18, 2007	None
2.	Law on Financial Markets Instruments of the Republic of Lithuania	Parliament of the Republic of Lithuania	January 18, 2007	None
3.	Civil Code of the Republic of Lithuania	Parliament of the Republic of Lithuania	July 18, 2000	October 31, 2006 July 14, 2006 November 11, 2004 April 30, 2004
4.	Law on Companies of the Republic of Lithuania	Parliament of the Republic of Lithuania	July 13, 2000	January 30, 2007 July 27, 2006 July 14, 2006 July 12, 2005 December 30, 2003 December 27, 2002 October 23, 2002 July 17, 2002 April 16, 2002 December 12, 2001 July 31, 2001
5.	Law on the Accumulation of Pensions of the Republic of Lithuania	Parliament of the Republic of Lithuania	July 30, 2003	December 12, 2006 October 27, 2005 June 07, 2005 November 26, 2004

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
				June 19, 2004
6.	Law on Controlling Investment Companies of the Republic of Lithuania	Parliament of the Republic of Lithuania	July 4, 2003	None
7.	Law on Financial Accountability of Companies of the Republic of Lithuania	Parliament of the Republic of Lithuania	November 6, 2001	June 21, 2007 July 18, 2006 December 30, 2003 December 24, 2002
8.	Law on Audit of the Republic of Lithuania	Parliament of the Republic of Lithuania	June 15, 1999	July 14, 2006 February 11, 2006 May 1, 2004 May 1, 2003 May 31, 2002 October 26, 2001 May 9, 2001
9.	Law on Collective Investment Undertakings of the Republic of Lithuania	Parliament of the Republic of Lithuania	July 4, 2003	None
10.	Law on the Prevention of Money Laundering of the Republic of Lithuania	Parliament of the Republic of Lithuania	June 19, 1997	May 19, 2007 May 1, 2004 January 1, 2004 July 25, 2003 May 1, 2003 April 1, 2002 July 1, 2001 November 24, 1999 November 4, 1998
11.	Law on Financial Institutions of the Republic of Lithuania	Parliament of the Republic of Lithuania	September 10, 2002	January 18, 2007 January 17, 2004

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
				May 1, 2004 September 9, 2003 October 1, 2004 July 1, 2003 October 23, 2002
12.	Rules on Preparation and Submission of the Securities Prospectuses and Information	Securities Commission of the Republic of Lithuania	July 29, 2005	March 2, 2007
13.	Rules on Preparation and Submission of Quarterly Reports of Financial Brokerage Firms to the Securities Commission	Securities Commission of the Republic of Lithuania	February 1, 2002	None
14.	Rules on Disclosure of the Information on Material Events of the Issuers	Securities Commission of the Republic of Lithuania	March 9, 2001	March 2, 2007 December 23, 2004
15.	Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof	Securities Commission of the Republic of Lithuania	September 25, 2003	September 10, 2004
16.	Methodology on Calculation of the Value	Securities Commission of the Republic of Lithuania	February 12, 2004	June 22, 2007 January 12, 2007 September 25, 2004 May 18, 2004
17.	Rules on the Preparation and Submission of Information by management Companies and Investment Variable Capital Companies the Management of Whose Assets has not been Delegated to a Management Company	Securities Commission of the Republic of Lithuania	June 23, 2004	September 4, 2005
18.	Regulations on the Issue and Validity of Licenses for the Activities of the Management Company and the Investment Company with Variable Capital	Securities Commission of the Republic of Lithuania	July 30, 2003	April 12, 2007 May 19, 2006 January 27, 2004
19.	Rules on Issuing and Cancelling of the Licenses of Financial Brokerage Firms	Securities Commission of the Republic of	February 15, 2002	August 9, 2006 April 4, 2005

#	Official Title of Law/Regulation (in English)	Promulgating Authority	Date of Promulgation	Dates of Past Amendments
		Lithuania		November 30, 2004
20.	Rules of Calculation of Capital Adequacy of Financial Brokerage Firms	Securities Commission of the Republic of Lithuania	November 21, 1997	March 30, 2007 January 1, 2004
21.	Rules of Annual Reports to the Public by Financial Brokerage Firms	Securities Commission of the Republic of Lithuania	January 30, 2003	March 30, 2007
22.	Rules on Accepting and Fulfilling of the Clients' Assignments	Securities Commission of the Republic of Lithuania	September 14, 2000	May 24, 2002 August 29, 2001
23.	Conduct Code of National Association of Financial Brokerage Firms	Securities Commission of the Republic of Lithuania	February 6, 1998	October 10, 2004

## Section II – Identity of the Relevant Market Regulatory Authorities (Statutory and Non-statutory) by Activities Regulated

#	Activities Regulated	Name of the Relevant Regulator	Date of Establishment	Legal Basis
1.	Securities issuance and offering <sup>1</sup>	Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646 on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.  Law on Securities
2.	Change of control transactions <sup>2</sup>	Competition Council of the Republic of Lithuania	October 18, 1999	Decree of the President of the Republic of Lithuania No. 641 on the Competition Council, dated October 18, 1999  Law on Competition of the Republic of Lithuania
		Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646 on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.  Law on Securities
3.	Securities markets <sup>3</sup>	Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646 on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.

<sup>1</sup> Including prospectus and disclosure requirements, share registrations, tender offers, shareholder rights, beneficial ownership reporting, etc.

<sup>2</sup> e.g., mergers, take-overs, monopoly positions, and other transactions affecting control in a company.

<sup>3</sup> e.g., including establishment of exchanges and trading systems, admission to listing, trading, clearing and settlement, depository, etc.

#	Activities Regulated	Name of the Relevant Regulator	Date of Establishment	Legal Basis
				Law on Securities
4.	Brokerage or dealing related activities <sup>4</sup>	Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646 on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.  Law on Securities
		Bank of Lithuania (regarding the licensed credit institutions providing investment services and/or engaged in investment activities)	March 1, 1990	Law on Banks of the Republic of Lithuania
5.	Fund (or portfolio) and asset management (including investment advisers, asset managers, etc.)	Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646 on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.  Law on Securities
6.	Collective investment schemes	Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646 on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.  Law on Securities

<sup>4</sup> e.g., including licensing, conduct of business requirements, prudential requirements, etc.

#	Activities Regulated	Name of the Relevant Regulator	Date of Establishment	Legal Basis
7.	Accounting and auditing standards/services	Ministry of Finance of the Republic of Lithuania		Government Resolution No. 1088 on Adoption of the Regulations of the Ministry of Finance of the Republic of Lithuania dated September 08, 1998.
		The Institute of Accounting of the Republic of Lithuania	February 28, 2002	Articles of Association of the Institute of Accounting February 1, 2005.
		Lithuanian Chamber of Auditors	December 1999	Law on Audit of the Republic of Lithuania
8.	Investment services providers	Lithuanian Securities Commission	September 3, 1992	Government Resolution No. 646on Establishment of Securities Commission and National Stock Exchange, dated September 3, 1992.  Law on Securities
9.	Money Laundering (i.e., FIU – Financial Intelligence Unit)	Financial Crime Investigation Service under Ministry of Interior of the Republic of Lithuania	April 1, 2002	Law on Financial Crime Investigation Service of the Republic of Lithuania

## Section A – Regulator<sup>5</sup>

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>RESPONSIBILITIES OF THE REGULATOR</b>					
1.	Whether the regulator responsibilities, powers and authority are clearly defined in the law?	✓		Articles 42 – 45 of the Law on Securities. Articles 85, 86, 88, 91 of the Law on Market of Financial Instruments. Articles 65 – 68 of the Law on Collective Investment Undertakings.	1
2.	Whether the regulator has discretion to interpret its responsibilities based on clear and transparent criteria and process so to prevent abuse of discretion?	✓		Article 42 of the Law on Securities. The Lithuanian Securities Commission has discretion right to interpret its responsibilities, however to a very limited extent with the limits set by legal acts.	1
<b>INDEPENDENCE OF THE REGULATOR</b>					
3.	Whether the term of office, the procedures for appointment and removal and the criteria for removal of the head and members of the governing body of the regulator are specified under the relevant law?	✓		Articles 69, 70, 73 of the Law on the Market of the Financial Instruments.	2
4.	Whether the operational independence of the regulator is assured by the law from external political, commercial, or other interest interference when exercising its respective functions and powers?	✓		Articles 69, 70, 73 of the Law on the Market of the Financial Instruments	2
5.	Whether the law provides legal protection (for <i>bona fide</i> actions only) to the regulator, the head and members of the governing body and its staff against lawsuits for actions taken in their functions?	✓		Articles 32-33 of the Law on Public Service.	2-5

<sup>5</sup> Please answer the questions of this section considering the regulator (see Section II, above) in charge for: Securities issuance and offering; Securities markets; Brokerage or dealing related activities and Collective investment schemes

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>ACCOUNTABILITY OF THE REGULATOR</b>					
6.	In the exercise of its regulatory powers, whether the regulator is required by the law to consult with or obtain an approval by the government, ministry or other authorities? <i>[Please specify the cases and the authority]</i>		✓		2
7.	If the answer to the above question is "yes" (if "no" in the above, please tick "no" in the following sub-questions):				
	(1) whether the circumstances in which consultation or approval is required are clearly defined and the relevant process is sufficiently transparent? <i>[If "yes", please briefly describe the process]</i>		✓		2
	(2) whether the circumstances where consultation or approval is required are limited to policy issues and not to day-to-day technical matters?		✓		
8.	Is the regulator accountable to the Parliament or another government body on an ongoing basis? <i>[Please explain]</i>	✓		According to the paragraph 3 of the Article 71 of the Law on the Market of Financial Instruments, the Lithuanian Securities Commission has to prepare and deliver to the Parliament and public an annual report on its activities.  It has to include information on growth of financial markets and main events of that year.	2
9.	Are the regulator and the other parties to which the regulator is accountable required by the law to treat as confidential information received as part of the supervisory process and only to disclose information in certain defined circumstances?	✓		Article 76 of the Law on the Market of Financial Instruments.  The law imposes an obligation of confidentiality upon the members and staff of the Lithuanian Securities Commission.	2
10.	Is the regulator's receipt and use of funds subject to review or audit?	✓		Article 14 of the Law on State Control. The Lithuanian Securities Commission is financed from the State budget.  Therefore the regulator's receipt and use of funds is a subject of review by the National	2

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Audits Office of the Republic of Lithuania.	
11.	Does the regulator have to provide written reasons for its material decisions?	✓		Paragraph 7 of the Article 73 of the Law on the Market of Financial Instruments.	2
12.	Are affected persons permitted to make representations prior to a regulator's decision in appropriate cases?	✓		Article 96 of the Law on the Market of the Financial Instruments.	2
13.	Are all decisions taken by the regulator subject to a sufficient, independent review process, ultimately including judicial review?	✓		Paragraph 4 of the Article 74 of the Law on the Market of the Financial Instruments.  The regulator's decisions, actions and failure to act are subject to judicial review by administrative courts of the Republic of Lithuania.  The claim has to be submitted to the administrative court having jurisdiction within 30 calendar days month from the decision/act of the Lithuanian Securities Commission. The decision of the administrative court of first instance may be appealed to the Supreme Administrative Court of the Republic of Lithuania.	2
<b>REGULATOR'S POWERS AND RESOURCES</b>					
14.	Whether the regulator is empowered by the law to receive routine financial reports from regulated entities <sup>6</sup> ? If "yes", please identify from whom the regulator receives such routine reports.	✓		Articles 19 – 22 of the Law on Securities. All issuers have to provide the Lithuanian Securities Commission with annual and interim financial reports. This obligation is not applicable to:  1) issuers, whose issued non-equity securities having nominal value not less	2, 10

<sup>6</sup> "Regulated entity" includes authorised or licensed entities or persons

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>than EUR 50,000;</p> <p>2) EU Member States, their regional public authorities, the European Central Bank, Central Banks of EU Member States and public international bodies of which at least one EU Member State is member.</p> <p>The obligation to draw up an interim information shall not apply to credit institutions whose shares are not admitted to trading on a regulated market and which have, in a continuous or repeated manner issued non-equity securities only provided that the total nominal amount of all such securities remains below EUR 100,000,000 and they have not published the prospectus.</p>	
15.	Whether the regulator is empowered by the law to inspect a regulated entity business operation without giving prior notice?	✓		<p>Paragraph 6 of the Article 42 of the Law on Securities.</p> <p>Paragraph 3 of the Article 72 of the Law on Market of Financial Instruments.</p>	8
16.	Whether the regulator is empowered by the law to have access to books and records and request data or information from regulated entities without judicial actions, even in absence of suspected misconduct, in response to (i) a particular inquiry? (ii) on a routine basis? [ <i>please specify</i> ]	✓		<p>Article 42 of the Law on Securities.</p> <p>Article 72 of the Law on Market of Financial Instruments.</p> <p>The Lithuanian Securities Commission may carry out inspections in order to assess whether entities comply with applicable law. No special judicial action or particular inquiry is necessary.</p>	8

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
17.	Does the regulator have the investigative and enforcement power to require from any persons involved in relevant conduct of who may have information relevant to a regulatory or enforcement investigation:				9
	(a) data?	✓		Article 42 of the Law on Securities. Article 72 of the Law on Market of Financial Instruments.	
	(b) information?	✓		Article 42 of the Law on Securities. Article 72 of the Law on Market of Financial Instruments.	
	(c) documents?	✓		Article 42 of the Law on Securities. Article 72 of the Law on Market of Financial Instruments.	
	(d) records?	✓		Article 42 of the Law on Securities. Article 72 of the Law on Market of Financial Instruments.	
	(e) statements or testimony?	✓		Article 42 of the Law on Securities. Article 72 of the Law on Market of Financial Instruments.	
18.	Whether, under the law or regulation, the regulator has the power to impose administrative sanctions? If "yes", please briefly describe the kinds of sanctions that can be imposed. If "no", please briefly describe what the regulator can do in case of non-compliance with laws.	✓		Article 47 of the Law on Securities. Article 72 of the Law on Market of Financial Instruments.  The Lithuanian Securities Commission may impose the following administrative sanctions: give a warning and set a period of time to eliminated non-compliance, impose fines up to approx. EUR 30,000.00, revoke issued licences, appoint temporary supervisor of entity's activities.	9
19.	Whether, under the law or regulation, the regulator has the power to order suspension of trading in securities?	✓		Paragraph 4 of the Article 85 of the Law on Market of Financial Instruments.	9

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
20.	Whether, under the law or regulation, the regulator has the power to initiate or refer matters for criminal prosecution?	✓		Paragraph 12 of the Article 72 of the Law on Market of Financial Instruments.	9
21.	Whether the regulator is assured by the law and/or regulation to have sufficient financial and other resources to properly discharge its functions? <sup>7</sup> If "no", please indicate the areas of insufficiency. [ <i>Please also specify if the regulator's budget is taken from the state budget or from the market</i> ]	✓		Article 77 of the Law on Market of Financial Instruments. The Lithuanian Securities Commission is financed from the State budget. However, the salary scale is not very competitive with the private sector.	2
<b>CLEAR AND EQUITABLE PROCEDURES</b>					
22.	Whether the regulator has the power to issue legally binding rules and regulations? If yes, is the regulator obliged to make all rules and regulations available to the public?	✓		Article 71 of the Law on Market of Financial Instruments. Article 42 of the Law on Securities. All rules and regulations have to be made available to the public in order for them to come into effect.	4
23.	Whether the law or regulation sets forth the general criteria for granting, suspending or revoking licenses?	✓		Articles 6 – 8, 44 – 46 of the Law on Market of Financial Instruments.	4
24.	Whether the regulator is required by the law or regulation to publicly disclose and explain its policies in important operational areas, such as through interpretations of regulatory actions, settings of standards, or issuance of opinions stating the reasons for regulatory actions?	✓		Article 71 of the Law on Market of Financial Instruments.	4
<b>PROFESSIONAL STANDARDS</b>					
25.	Whether the staff of the regulator is required by law, regulation or other, [ <i>please explain</i> ] to observe a "Code of Conduct" or other written	✓		There is no any special Code of Conduct for Lithuanian Securities Commission approved	5

<sup>7</sup> The points of consideration in financial aspect should include: competitive salary scales, ability to hire external experts if necessary, training budget and programme, information technology equipment, and travel budget, etc.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	standards/guidance of the same nature in exercising their regulatory powers and discharging their functions?			<p>in the Republic of Lithuania.</p> <p>Whereas the members and the staff of the Lithuanian Securities Commission are civil servants, therefore they have an obligation to follow the Rules of the Ethics for the Conduct of the Civil Servants, confirmed by the decision of the Government of the Republic of Lithuania.</p> <p>The civil servants of the Bank of Lithuania also have an obligation to follow the Code of Ethics of the Civil Servants of the Bank of Lithuania, confirmed by the Board of the Bank of Lithuania.</p>	
<b>26.</b>	If the answer to the above question is "yes", whether the relevant "Code of Conduct" addresses issues in the following areas:				5
	(1) conflicts of interest?	✓		Article 4 of the Rules of the Ethics for the Conduct of the Civil Servants	
	(2) dealing with information obtained in the course of the exercise of powers and discharge of duties?	✓		Article 4 of the Rules of the Ethics for the Conduct of the Civil Servants	
	(3) observance of confidentiality and secrecy provisions and protection of personal data?	✓		Article 8.3 of the Rules of the Ethics for the Conduct of the Civil Servants	
	(4) ensuring procedural fairness?	✓		Articles 3 and 6 of the Rules of the Ethics for the Conduct of the Civil Servants	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(5) restriction on the holding or trading of securities and requirement to disclose financial affairs or interest.	✓		Law on the Market of Financial Instruments, Article 75. Seeking to avoid conflicts of interests, the Commissioners and administration employees of the Securities Commission as well as their spouses shall be banned from transferring acquired financial instruments, which are traded on regulated markets of the Republic of Lithuania, earlier than six months after their acquisition.	
27.	Whether there are legal or other sanctions against the staff of the regulator who fails to adhere to the above mentioned "Code of Conduct"?	✓		Article 29 of the Law on Public Service. One of the following disciplinary penalties may be imposed on a civil servant for misconduct in office: 1) note of warning; 2) reprimand; 3) severe reprimand; 4) dismissal from office.	5
<b>COOPERATION AMONG REGULATORS</b>					
28.	If there is more than one regulator listed in Section II above, whether the division of the responsibility among regulators is clearly and objectively set out by law?	✓		Law on the Market of Financial Instruments Law on Banks	1
29.	If there is more than one regulator listed in Section II, whether they are required by the law to co-operate and share information with each other?	✓		Article 78 of the Law on the Market of Financial Instruments.	1
30.	Whether the regulator has the authority under the law to share information with regulators in foreign jurisdictions? [ <i>please specify with which countries</i> ]	✓		Articles 80 and 82 of the Law on the Market of Financial Instruments. Lithuanian Securities Commission has the authority to share information with the regulators of other EU Member States. Lithuanian Securities Commission also has authority to share information with the regulators of the third countries if	11

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>memorandums of understanding regarding the share of information are concluded with the regulators of third countries. Lithuanian Securities Commission has concluded memorandum of understanding with the regulators of Estonia, Latvia, France, Poland, Cyprus, Denmark and Romania. Lithuanian Securities Commission also entered into IOSCO multilateral memorandum of understanding and CESR multilateral memorandum of understanding. However, there is no any memorandum of understanding concluded with the regulators of third countries.</p>	
31.	Whether the regulator is permitted by the law to provide assistance to regulators in foreign jurisdictions? <i>[please specify with which countries]</i>	✓		<p>Article 80 and 82 of the Law on the Market of Financial Instruments. See comments in the in line 30.</p>	13

## Section B – Self-regulation ("SROs")<sup>8</sup>

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>PERFORMANCE AND FUNCTIONS OF SROS</b>					
<b>1.</b>	Are there any organisations in your country, that:				6
	a) establish rules of eligibility that must be satisfied in order for individuals or firms to participate in any significant securities activity?	✓		According to the articles 53, 56 and 65 of the Law on Market of the Financial Instruments, the Vilnius Stock Exchange and Central Depository establishes rules that must be satisfied in order to participate in regulated market.	
	b) establish and enforce binding rules of trading or business conduct for individuals or firms engaging in securities activities?	✓		According to Article 65 of the Law on Market of the Financial Instruments, the Central Depository prepares and presents to the Securities Commission for its approval Rules on accounting of financial instruments and their circulation.  According to the articles 53 and 56 of the Law on Market of the Financial Instruments, the Vilnius Stock Exchange prepares and presents to the Securities Commission for its approval transparent and non-discriminatory regulated market rules, based on objective criteria.	

<sup>8</sup> A self-regulatory organisation (SRO) is any organisation that has been given the power or responsibility to regulate any part of the securities market of industry. The term "self-regulatory organisation" means any national securities exchange, registered securities association, or registered clearing agency, which have been granted the right to regulate themselves and enforce such regulation. This section applies to all SROs in your country – i.e. stock exchange, central depository to the extent that they fit within the SRO definition]

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	c) establish disciplinary rules and/or conduct disciplinary proceedings, which have the potential to impose enforceable fines, or other penalties, or to bar or suspend a legal or natural person from participating in securities activities or professional activities related to securities activities?	✓		Vilnius Stock Exchange, which has adopted Trade Rules of Vilnius Stock Exchange.	
<b>AUTHORISATION OR DELEGATION SUBJECT TO OVERSIGHT</b>					
2.	Whether, as a condition of ongoing authorisation, the regulatory framework requires SROs to:				7
	(1) have the necessary capacity to enforce compliance by its members and associated persons with laws, regulations and rules?	✓		Paragraph 2 of the Article 53 of the Law on Market of Financial Instruments.	
	(2) treat all members of the SRO and applicants for membership in a fair and consistent manner?	✓		Paragraph 1 of the Article 53 of the Law on Market of Financial Instruments.	
	(3) develop rules that (i) are designed to set standards for its members and (ii) to promote investor protection?	✓		Article 54 of the Law on Market of Financial Instruments.	
	(4) submit to the regulator its rules and any amendments thereto for review and/or approval?	✓		Article 53 of the Law on Market of Financial Instruments.	
	(5) co-operate with the regulator and other SROs in your jurisdiction to investigate and enforce applicable laws, regulations and rules?	✓		Article 53 of the Law on Market of Financial Instruments.	
	(6) enforce its own rules and impose appropriate sanctions for non-compliance with its own rules?	✓		Article 55 of the Law on Market of Financial Instruments.	
	(7) assure fair representation of members on its board of directors and administration of its affairs?		✓		
	(8) assure that its rules do not create anti-competitive situations?	✓		Article 53 of the Law on Market of Financial Instruments.	
<b>OVERSIGHT</b>					
3.	Whether the regulator is required by the law or regulation to establish a programme/procedure/process to oversee the operations of SROs (including inspections, periodic reviews, reporting requirements, review/revocation of SRO rules, monitoring of continuing compliance with conditions of authorisation)?	✓		Article 72 of the Law on Market of Financial Instruments.	7

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
4.	In matters related to SRO responsibility, whether the regulator retains authority to (i) inquire and (ii) intervene into matters affecting investors or the market?	✓		Article 85 of the Law on Market of Financial Instruments.	7
<b>MISUSE OF INFORMATION AND CONFLICT OF INTERESTS</b>					
5.	Does the law or regulation requires SROs to:				7
	(1) ensure that potential conflicts of interest at the SRO are avoided and resolved?	✓		Article 52 of the Law on Market of Financial Instruments.	
	(2) address prevention of misuse of information and observance of confidentiality of information?	✓		Article 42 of the Law on Market of Financial Instruments.	

## Section C – Issuers and their Information-Disclosure Obligation

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance	
<b>CONTENT OF THE PROSPECTUS</b>						
1.	In a public offering of securities <sup>9</sup> , whether issuers are required to:					14
	(i) prepare a prospectus (or an information document of similar nature)	✓		Article 5 of the Law on Securities.		
	(ii) distribute it, and	✓		Article 9 of the Law on Securities.		
	(iii) file the prospectus with the regulator/stock exchange for review/approval <i>[Please specify]</i>	✓		Article 8 of the Law on Securities. The prospectus has to be approved by the Lithuanian Securities Commission		
2.	Whether the prospectus is required to include information on:					IOSCO – International Disclosure standards for cross-border offerings and Initial listings by foreign issuers
	(i) key financial information, including capitalisation and indebtedness of the issuer and reason for the offer and use of proceeds and risk factors <i>[please specify if all or just some of these issues are included]</i>	✓		Paragraph 10 of the Rules on Preparation and Submission of the Securities Prospectuses and Information. Commission Regulation (EC) No. 809/2004 All issues have to be specified in the prospectus.		
	(ii) the company, including history and development of the company, business overview, organisational structure, property, plants and equipment <i>[please specify if all or just some of these issues are included]</i>	✓		Commission Regulation (EC) No. 809/2004 All issues have to be specified in the prospectus.		

<sup>9</sup> The term Public Offering of Securities refers to the issuance and/or sale of the securities to the public.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(iii) operating and financial review and prospects, including operating results, liquidity and capital resources, research and development, patents and licenses. <i>[please specify if all or just some of these issues are included]</i>	✓		Paragraph 10 of the Rules on Preparation and Submission of the Securities Prospectuses and Information. Commission Regulation (EC) No. 809/2004 All issues have to be specified in the prospectus.	
	(iv) directors, senior management and employees, including compensation of directors, board practices, number of employees and share ownership <i>[please specify if all or just some of these issues are included]</i>	✓		Paragraph 10 of the Rules on Preparation and Submission of the Securities Prospectuses and Information. Commission Regulation (EC) No. 809/2004 All issues have to be specified in the prospectus.	
	(v) major shareholders and related party transactions	✓		Paragraph 10 of the Rules on Preparation and Submission of the Securities Prospectuses and Information. Commission Regulation (EC) No. 809/2004	
	(vi) the identity and holdings of persons who hold a substantial beneficial ownership interest in the company	✓ (to the extent known to the issuer)		Paragraph 10 of the Rules on Preparation and Submission of the Securities Prospectuses and Information. Commission Regulation (EC) No. 809/2004 The identity and holding of persons who hold a substantial beneficial ownership interest in the company has to be included in the prospectus known to the issuer.	
<b>FOREIGN ISSUERS</b>					
3.	Whether a foreign issuer is required to disclose additional information in the prospectus? If "yes", please briefly describe		✓	There are no specific requirements on disclose of information in prospectus established for foreign issuers.	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>The prospectus of issuer, which is incorporated in the EU Member State, has to correspond to the requirements applicable in that EU Member State.</p> <p>The prospectus of issuer, which is incorporated outside the EU, has to correspond to the requirements applicable in the country of incorporation of issuer, provided that (1) the prospectus has been drawn up in accordance with the international standards approved by the international securities commissions organisations, including the Disclosure standards approved by IOSCO, and (2) requirements stipulated in respect of the presented information (including the information of financial nature) correspond with the requirements defined in the Law of Securities of the Republic of Lithuania.</p>	
4.	Whether a foreign issuer is allowed to use a prospectus which has been approved by a foreign regulator? If "yes", please briefly describe	✓		<p>According to the paragraph 1 of the Article 13 of the Law on Securities, securities of an issuer of another EU Member State may be publicly traded in Lithuania only after the Lithuanian Securities Commission receives a copy of prospectus approved by a foreign regulator and a certificate that the prospectus conforms to the requirements applicable in that EU Member State.</p> <p>According to the Article 14 of the Law on Securities, the Lithuanian Securities Commission has the right to approve a prospectus of an issuer incorporated outside</p>	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				the EU if the prospectus is prepared according to the internationally recognized standards (for instance, IOSCO).	
<b>FULL DISCLOSURE</b>					
5.	Whether there are different disclosure requirements for different types of securities or according to the different circumstances in which securities are offered? If "yes", please briefly describe	✓		<p>According to the Rules on Preparation and Submission of the Securities Prospectuses and Information, issuer may prepare two types of the prospectus: prospectus and basic prospectus.</p> <p>Basic prospectus may be prepared for the issue of :</p> <p>1) non-equity securities issued under an offering program;</p> <p>2) non-equity securities issued in a continuous or repeated manner by credit institutions;</p> <p>3) amounts deriving from the issue of the said securities are placed in assets which provide sufficient coverage for the liability deriving from securities until their maturity date.</p>	14
6.	In addition to public offering of equity, whether prospectus requirements also apply to other types of public offerings (e.g., debt securities, warrants, pre-emptive rights offering to existing shareholders, etc.)? Please specify.	✓		<p>According to the Rules on Preparation and Submission of the Securities Prospectuses and Information, except for non-equity securities issued in a continuous or repeated manner by credit institutions provided that these securities:</p> <p>(i) are not subordinated, convertible or exchangeable;</p> <p>(ii) do not give a right to subscribe to or</p>	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				acquire other types of securities and that they are not linked to a derivative instrument; (iii) materialise reception of repayable deposits.	
7.	Whether there are any restrictions on, or disclosure requirements with regard to, the content of information that an issuer discloses outside the prospectus during an offering (e.g., in advertisement, "road-show" materials or on the issuer's web-site)?	✓		Article 11 of the Law on Securities. Advertising of securities has to match information provided in the prospectus.	14
8.	If the answer to the above question is "yes", whether any such restrictions or requirements extend to those acting on behalf of the issuer in connection with the offering (e.g., underwriters or advisors)?	✓		Article 11 of the Law on Securities.	14
<b>LIABILITY</b>					
9.	Whether the issuer is liable for the content of the prospectus? If "yes", please describe if there are any exceptions provided for under the law.	✓		Article 7 of the Law on Securities. No civil liability shall arise when the investment decision has been made solely on the basis of the information presented in the summary (including the translation thereof), unless the summary, when read with other parts of the prospectus, is misleading, inaccurate or inconsistent.	14
10.	Other than the issuer, whether there are any other persons/entities that may be held liable for the content of the prospectus (e.g., underwriter, auditor)? If "yes", please describe.	✓		Article 7 of the Law on Securities. Responsibility for the correctness and completeness of the information presented in the prospectus attaches to the issuer, the underwriter, the administrative, management and supervisory bodies of the issuer, offeror of securities and the person asking for admission to trading on a regulated market.	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Apart from the mentioned persons and company bodies, other persons maybe designated as responsible for the information presented in the prospectus. The persons responsible have to be clearly identified in the prospectus by their names and functions or, in the case of legal persons, their names and registered offices.	
<b>DEROGATIONS</b>					
11.	Whether there are circumstances where an issuer is permitted to proceed with a public offering without full disclosure of relevant information? If "yes", please briefly describe.	✓		<p>Paragraph 3 of the Article 6 of the Law on Securities.</p> <p>The Lithuanian Securities Commission may authorise the omission from the prospectus of a certain information the inclusion whereof is required under the provisions of the Commission Regulation (EC) No 809/2004 of 29 April 2004 where there is a basis to consider that:</p> <p>1) the disclosure of such information would be contrary to the public interest;</p> <p>2) the disclosure of such information would be detrimental to the issuer provided that the omission of such information would not be likely to mislead the public with regard to facts and circumstances essential for assessment of the issuer, each guarantor (underwriter) or the offeror of securities, also the rights assigned by securities in respect of which the prospectus is being drawn up; or</p> <p>3) such information is not material in</p>	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				respect of the specific offer or admission to trading on a regulated market and may not have an impact upon the assessment of the financial position or prospects of the issuer, underwriter or the person offering the securities to the public.	
<b>REGULATOR'S POWERS</b>					
12.	Whether the regulator has the power to enforce prospectus and/or other listing documents disclosure requirements by delaying or stopping the offering or through other regulatory actions? If "yes", please briefly describe the nature of these actions (e.g., civil, administrative or criminal) and indicate whether these actions if taken are with immediate effect (e.g., trading halt or injunction).	✓		Article 71 of the Law on Market if the Financial Instruments.  The Lithuanian Securities Commission has powers to demand to halt any operations concerning securities if requirements of law are violated as well as to address the court in order to arrest property or assets.	9, 14
<b>OTHER LISTING DOCUMENTS</b>					
13.	Apart from the prospectus, are issuers required to prepare or distribute documents for listing purposes? (e.g., listing particulars <sup>10</sup> or a document of similar nature)?		✓		14
14.	Does the regulator have the power to enforce listing document disclosure requirements by delaying or refusing a listing?		✓		14
<b>ONGOING DISCLOSURE REQUIREMENTS</b>					
15.	Whether open/public/listed/admitted to trading companies [ <i>please specify</i> ] are required to prepare annual reports and/or periodic reports, under a certain timeframe? Please specify.	✓		Articles 20 – 22 of the Law on Securities.  Issuers have to prepare annual and interim reports, which have to be presented to the Lithuanian Securities Commission.	14

<sup>10</sup> Listing particulars: details which a company is obliged to publish about itself together with any securities it issues before it obtains a listing on a recognised stock exchange.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				The requirement to draw up the interim information shall apply to issuers whose securities are admitted to trading in a regulated market in the Republic of Lithuania.	
16.	If the answer to the above question is "yes", whether the annual and the periodic reports are made available to the public? If yes, please explain how they are distributed.	✓		Article 20 of the Law on Securities. Reports have to be made public by placing them in the Central storage facility, which is administrated by the operator of the regulated market. The issuer must provide to each holder of the securities issued by it a possibility to familiarize himself with all the periodic report free of charge and, on the latter's request, provide to him copies of these reports. For making copies of the reports the issuer may charge a fee in the amount set in its Articles of Association which may not exceed the amount of copy production expenses.	14
17.	Whether issuers are required to file the annual and periodic reports with the regulator for review/approval?	✓		According to the Article 20 of the Law on Securities, issues has to submits reports to the Lithuanian Securities Commission.	14
18.	Whether the regulator has the power to enforce the disclosure requirements of the reports? If yes, please describe the available actions.	✓		Article 42 of the Law on Securities. The Lithuanian Securities Commission has the right to require the persons to disclose the information required by the law and submit other related documents. If issues fails to fulfil the disclosure requirements of the reports, regulator may impose the fine up to 100,000 litas	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				(approximately EUR 29,000).	
19.	Whether the issuer is liable for the content of the reports? If "yes", please describe if there are any exceptions provided for under the law	✓		Paragraph 6 of the Article 20 of the Law on Securities. Responsibility for the correctness and completeness of the information presented in the reports attaches to the issuer, the administrative, management and supervisory bodies of the issuer. Apart from the mentioned persons and company bodies, other persons maybe designated as responsible for the information presented in the reports. The persons responsible shall be clearly identified in the reports: name, last name and current position of the natural person, name of the legal entity and the registered address.	14
20.	Other than the issuer, whether there are any other persons/entities which may be held liable for the content of the annual/periodic reports (e.g., auditor)? If "yes", please describe.	✓		Paragraph 6 of the Article 20 of the Law on Securities. Responsibility for the correctness and completeness of the information presented in the reports also attaches to the administrative, management and supervisory bodies of the issuer. Apart from the mentioned persons and company bodies, other persons maybe designated as responsible for the information presented in the prospectus. The persons responsible shall be clearly identified in the reports: name, last name and current position of the natural person, name of the legal person and the registered address.	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
21.	Whether issuers are subject to a general and continuing obligation to disclose promptly any material information that would significantly affect the price of their securities? If "yes", please describe whether such requirement varies according to types of issuers.	✓		<p>This obligation is burdened upon the issuers admitted to the regulated market. Article 18 of the Law on Securities.</p> <p>The Lithuanian Securities Commission, taking into consideration the size of the issuer and the volume of turnover of its securities, may provide that a material event is to be disclosed not immediately but within 5 working days.</p>	14
22.	Whether there are circumstances where an issuer is permitted to derogate from its disclosure obligations (e.g., confidentiality)?	✓		<p>Paragraph 3 of Article 18 of the Law on Securities.</p> <p>If disclosure of information may inflict financial or competition-related losses on the issuer, and the non-disclosure of such information would not mislead the public and the issuer is able to ensure the confidentiality of such information, it may be exempt from the obligation to publish this information and submit it only to the Lithuanian Securities Commission with a mark "Confidential Information".</p> <p>The issuer must provide a written explanation of the reasons precluding the disclosure of information and specify therein the date until which the information must remain confidential. On the day the confidentiality of the information expires it must be disclosed in the manner set out in law. The Lithuanian Securities Commission may require disclosure of information on a material event prior to the expiry of the confidentiality term specified by the issuer</p>	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				if: 1. the basis for non-disclosure of information referred to in this paragraph no longer exists; 2. information has been disclosed to persons to whom such information should not have been disclosed.	
<b>FAIR AND EQUITABLE TREATMENT OF SHAREHOLDERS</b>					
23.	Whether the relevant law or regulation stipulates the right of fair and equitable treatment of shareholders?	✓		Article 26 of the Law on Securities.	15
24.	Whether issuers are required to disclose information to shareholders in order to help them make voting decisions? If "yes", please briefly describe the types of voting decisions that would trigger such disclosure requirement.	✓		Article 26 of the Law on Securities. The issuer must ensure that all the facilities and information necessary to enable shareholders to exercise their rights are available.	15
25.	Whether investors have the right to petition the regulator? If "yes", please indicate the grounds based upon which a petition can be made.	✓		Article 42 Law on Securities and article 71 of the Law on Market in Financial Instruments In case the issuer violates the requirements of the law regulating markets of the financial instruments.	15
26.	Whether minority shareholders have the right to appoint an auditor to re-examine the books and accounts of the company? If yes, please specify the minority shareholding percentage requirement and other specific conditions and whether the shareholder or the company must pay for this audit	✓		According to the Lithuanian law, the minority shareholders are not entitled to appoint an auditors to re-examine the books and account of the company. However, according to the articles 2.124 – 2.131 of the Civil Code of the Republic of Lithuania, the holders of at least 1/10 of the voting shares of the company have the right to request the court to appoint experts who have to	15

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				investigate whether company, managing bodies of the company or members of the managing bodies of the company acted in a proper way, and in the event that improper actions are established to apply the following measures: (1) revoke the decisions taken by the managing bodies of company; (2) suspend temporarily the powers of the members of the company's managing bodies or exclude a person from company's managing body; (3) appoint temporal members of company's managing bodies; (4) authorise non-implementation of certain provisions of incorporation documents; (5) to oblige making of amendments to certain provisions of incorporation documents; (6) to transfer the company's right to vote to other person; (7) to oblige a company to take or to restrain form certain actions; (8) to liquidate a company and appoint a liquidator. The services of the experts should be paid by the party, who loss the case, however the plaintiff has to pay the said sum into the separate account of the court before the court will appoint the experts. Whereas the plaintiff fails to pay the amount indicated by the court into the separate account of the court, the court shall not proceed with the application for the investigation of the company's operations.	
27.	Whether shareholders of a company have the right to start derivative suit (i.e., in the name of the company) against the directors of the company? If "yes", please	✓		Article 16 of the Law on Companies. Any shareholder of a company have the	15

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	indicate the shareholding percentage requirement, if any, for exercising such right.			right to start derivative suit (i.e., in the name of the company) against the directors of the company.	
28.	Whether shareholders of a company have the right to request an extraordinary general meeting of shareholders to be held? If "yes", please indicate the shareholding percentage requirement, if any, for exercising such right.	✓		Article 23 of the Law on Companies. 1/10 of the shareholders has initiative right to request for the extraordinary general meeting of shareholders, unless the Articles of Association provide a smaller percentage.	15
29.	Whether beneficial shareholders are required to publicly disclose their ownership and identity in specific circumstances? If yes, please specify the circumstances and the disclosure procedures	✓		Articles 23 - 24 of the Law on Securities. A person who acquires 5, 10, 15, 20, 25, 30, 50, 75 and 95 percent of votes at the general meeting of shareholders of an issuer must, not later than within 4 trading days, inform the Lithuanian Securities Commission and the issuer about the total amount of votes. This obligation shall also be binding where the specified limits are exceeded in the descending or the ascending order. The votes held by a person shall be deemed the right to vote that: (1) are granted to a person by shares thereby by the right of ownership (except where they are pledged as security and the agreement thereof provides for a transfer of the voting right to the security holder); (2) are held by another person with whom that person has concluded a voting agreement on a lasting common policy towards the management of the company in question; (3) are held by another person with whom he had concluded a provisional agreement on the transfer of voting rights; (4) are granted by shares that have been	15

✓ but  
only in the  
cases  
mentioned  
in the law

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>pledged or transferred as a financial security provided the security holder is authorised to use the voting rights attaching to the shares; (5) are granted by shares which he as an usufruct is authorised to use all his life or a predetermined period of time that shall not be longer than the duration of the person's lifespan; (6) are according to items 2 - 5 of this list held by the entity controlled by the person; (7) are granted by the shares transferred to him by trust or otherwise deposited to him where the person, in the absence of other instructions may exercise the voting rights by trust; (8) are granted by shares acquired to his benefit but in the name of another person; (9) may be used by the person at its own discretion under the authorisation or under other agency basis; (10) are granted by the shares held by the spouse of the person except cases when nuptial agreements provide that securities are regarded as personal property of each of the spouses. The manager of the issuer shall be considered to be holding votes of other managers of the issuer if Lithuanian Securities Commission, having considered evidence submitted by the manager to prove independence of his actions, has not resolved otherwise. Above mentioned obligation shall be binding also to the person directly or indirectly holding the securities that subject to a formal agreement and upon an initiative of the holder thereof entitles him to acquire in the future the</p>	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				securities issued by the issuer.	
30.	Whether the shareholders who are required to disclose their identity and ownership position due to their shareholding percentage have an on-going obligation to report changes in their shareholding? If "yes", please indicate how significant the change has to be to trigger such reporting obligation.	✓		Article 23 of the Law on Securities. When a person acquires 5, 10, 15, 20, 25, 30, 50, 75 and 95 percent of the voting rights in the shareholders' meeting has to inform the Lithuanian Securities Commission. The same obligation is applicable when these limits are outreached in descending order as well.	15
<b>CHANGE IN CORPORATE CONTROL</b>					
31.	Does the relevant law or regulation provide for the circumstances in which a mandatory tender offer must be made? If "yes", please describe the circumstances.	✓		Article 31 of the Law on Securities. When a person acting alone or in cooperation with other persons acquires shares of a company and owns alone or in cooperation with other persons more than 40 percent of the total number of the shares, a mandatory tender must be made.	15
32.	Whether public/open/listed/admitted to trading companies are required to disclose adequate information in connection with a change in corporate control (e.g., take-over etc.) to enable minority shareholders to assess the offer?	✓		Article 31 of the Law on Securities.	15
33.	Does the regulatory framework provide minority shareholders with the opportunity to vote eventual manoeuvres (e.g., poison pills) made up by the management to resist the tender offer?		✓	The law does not include the issue.	15
34.	In connection with a proposed transaction involving the company, whether the directors or other members of senior management of a company are required to disclose compensation or personal benefits that they may receive?		✓		15
35.	Does the regulatory framework provide minority shareholders with the concrete opportunity to sell their shares to the bidder at the same conditions as the controlling shareholder?	✓		Article 38 of the Law on Securities.	15

## Section D – Collective Investment Schemes (CISs)<sup>11</sup>

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
1.	Does your country have a specific legislation on collective investment schemes? <i>Please specify if the regulation is specifically on CIS or instead on other investment funds (e.g., privatisation funds)</i>	✓		Collective investment schemes are regulated by the Law on Collective Investment Undertakings.	
<b>ENTRY AND ELIGIBILITY CRITERIA</b>					
2.	Whether there are specific standards or requirements set forth in the relevant law or regulation for eligibility <sup>12</sup> to:			Article 3 of the Law on Collective Investment Undertaking. Only a private or a public company holding a license for the activities of a management company issued by the Securities Commission has the right to engage in the management of unit trusts/common funds or investment companies with variable capital (the licensing for marketing and selling units of CIS and managing the CIS is the same).	17
	(i) promote and sell a CIS?	✓			
	(ii) operate a CIS?	✓			

<sup>11</sup> CIS includes open-end funds that redeem their shares or units (whether on a continuous basis or periodically), closed-end funds whose shares or units are traded in securities markets, unit investment trusts, contractual models and the European UCITS model. For purposes of this assessment checklist, CIS excludes schemes investing in property/real estate, mortgages or venture capital.

<sup>12</sup> The term “eligibility” is intended to include authorisation, licensing, registration or other preconditions to operating or marketing a CIS.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
3.	<p>Whether the eligibility standards or requirements for licensing or registration of operators of CIS include the following factors:</p> <p>(1) fitness and propriety of operator (including persons who hold a material interest in the operator)?</p>	✓		<p>Paragraph 3 of the Article 12 and paragraph 2 of the Article 5 of the Law on Collective Investment Undertakings.</p> <p>A company wishing to engage in the management company activities or a company wishing to operate as an investment company with variable capital has to file an application with the Securities Commission.</p> <p>The application has to be accompanied by the information about the company, its shareholders, members of management bodies, company's programme of activities and activities development, initial capital and other documents, information and explanations specified in the licensing regulations approved by the Securities Commission.</p> <p>Persons wishing to acquire the qualifying holding of the managing company have to comply with the certain requirements, including irreproachable reputation.</p> <p>The license is not issued in case the company's members of the management Board, the Managing director or his deputies do not comply with the requirements of irreproachable of reputation.</p>	17

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(2) honesty and integrity?	✓		Paragraph 2 of the Article 5 of the Law on Collective Investment Undertakings. The license is not issued in case the company's members of the management Board, the Managing director or his deputies do not comply with the requirements of irreproachable reputation.	
	(3) competence to carry out the functions and duties of a scheme operator (i.e., human and technical resources)?	✓		Paragraph 2 of Article 5 of the Law on Collective Investment Undertakings. The license is not issued in case the company's members of the management Board, the Managing director or his deputies do not have the required qualification or work experience.	
	(4) financial capacity?	✓		Paragraph 2 of the Article 5 of the Law on Collective Investment Undertakings. The Securities Commission will refuse a licence if the initial capital of the management company or investment company with variable capital which has no management company is below the minimum amount set by the Securities Commission or other management company capital adequacy requirements are not complied with.	
	(5) capacity to discharge operator-specific powers and duties?	✓		Paragraph 2 of the Article 5 and subparagraphs 7 and 11 of paragraph 1 of the Article 9 of the Law on Collective Investment Undertakings.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(6) adequacy of internal management procedures?	✓		Paragraph 1 of the Article 9 of the Law on Collective Investment Undertakings. A collective investment undertakings has to have and employ the resources and procedures that are necessary for its activities, ensure that it has sound administrative and accounting procedures and that each transaction may be reconstructed according to the parties to it, its nature and the time and place at which it was effected and that the assets are invested according to the terms and conditions laid down in the instruments of incorporation and the legal provisions in force and carry out internal control, control transactions in securities by its managers and employees.	
4.	Whether, in assessing eligibility to market or operate a CIS, it is required by the law or regulation to assess the qualifications of key individuals employed by the CIS operator or manager?	✓		Paragraph 2 of the Article 5 of the Law on Collective Investment Undertakings.	17
5.	If the answer to the above question is "yes", whether the following factors are considered:				17
	(1) educational requirements?	✓		Subparagraph 5 of paragraph 2 of the Article 5 of the Law on Collective Investment Undertakings.	
	(2) fitness and propriety?	✓		Subparagraphs 4 and 5 of paragraph 2 of the Article 5 of the Law on Collective Investment Undertakings.	
	(3) honesty and integrity?	✓		Article 5 of the Law on Collective Investment Undertakings.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(4) past experience in marketing or operating of CIS?	✓		Paragraphs 40.1 and 40.2 of the Regulation on the issue and Validity of the Licenses for the Activities of the Management Company and the Investment Company with the Variable Capital.	
	(5) continual professional training?		✓		
6.	Whether CIS operators are required to make public disclosure of the information listed in the preceding questions? Please briefly describe what is the disclosure procedure	✓		Paragraph 35 of the Rules concerning the Contents of the Prospectuses of Collective Investment Undertakings and the Submission of such Prospectuses approved by Resolution No. 16 of 25 September 2003 of the Lithuanian Securities Commission.  An investment company with the variable capital and a management company (for each unit trust/common funds it manages) must publish: a full prospectus, a simplified prospectus, an annual report for each financial year and semi annual report covering the first 6 months of the financial year. Part of information listed in question No. 124 has to be disclosed in the mentioned documents.	17
7.	Whether there are sanctions against unlicensed operation of a CIS? If "yes", please briefly describe.	✓		Article 202 of the Criminal Code of the Republic of Lithuania – criminal liability of the company (fines, liquidation or restriction of activities may be imposed as sanction).  Articles 173 <sup>16</sup> of the Code of the Administrative Infringements (administrative liability (fines) for the Managing Directors).  Article 68 of the Law on Collective	17

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Investment Undertakings (fines imposed by the Lithuanian Securities Commission).	
<b>SUPERVISION AND ONGOING MONITORING</b>					
8.	Whether CIS operators are subject to a general and continuing obligation to report to the regulator or to investors any information regarding material changes in its management or organisation?	✓		According to paragraph 5 of the Article 52 of the Law on Collective Investment Undertakings, amendments to the prospectus should be made within 7 days of the change of the information.	17
9.	If the answer to the above question is "yes", whether the regulator's approval of these changes is required?	✓		Subparagraph 5 of paragraph 1 of the Article 13 of the Law on Collective Investment Undertakings.	17
10.	Whether there are provisions to prohibit, restrict or disclose conduct likely to give rise to conflicts of interests between a CIS and its operators or their associates or related parties? If "yes", please briefly describe.	✓		According to subparagraph 10 of paragraph 1 of the Article 9 of the Law on Collective Investment Undertakings, a management company or an investment company with variable capital the management of assets whereof has not been delegated to a management company shall be structured and organised in such a way as to avoid conflict of interests between the managing company or investment company with variable capital and its clients, between one of its clients and another, between the participants in the collective investment undertaking and its clients or a conflict of interests between the participants in the collective investment undertaking.	17

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
11.	Whether there are regulatory means <sup>13</sup> available to minimise conflict of interest situations to ensure that any conflicts if they arise do not adversely affect the interests of investors? If "yes", please describe.	✓		Articles 64 and 67 of the Law on Collective Investment Undertakings. The Lithuanian Securities Commission is entitled to inspect the activities of management companies, investment companies with variable capital and depositories in order to check compliance with the legal requirements, including the requirements with regard to the conflicts of interests.	17
12.	Whether there is an ongoing monitoring of the conduct of CIS operators throughout the life of a CIS (including compliance with licensing or registration requirements)? If "yes", please briefly describe the monitoring method(s) adopted.	✓		Articles 51, 52, 64 and 67 of the Law on Collective Investment Undertakings. CIS operators have to publish annual and semi annual reports. The Lithuanian Securities Commission also has a right to conduct inspections of CIS operators.	17
13.	Whether the regulator has the power under the law to take actions in the event of suspected or actual breaches or default by CIS operators? If "yes", please briefly describe what actions the regulator can take.	✓		Article 18 of the Law on Collective Investment Undertakings. The Securities Commission has the right to take the following measures against the management companies or the investment companies with variable capital: 1) warning about shortcomings and violations of their activities and setting a deadline for their elimination; 2) imposing administrative penalties on the	17

<sup>13</sup> Possible means include direct prohibition of particular transactions under the law, use of a code of conduct, review and/or approval of certain transactions and activities by the regulatory authority, disclosure by the operator, prior approval or ratification of certain transactions by the investors, record keeping by the operator, limitation of the activities of the operator and independent review by a third party, etc.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				managers or employees or fines prescribed by the laws; 3) withdrawal of the licence; 4) suspension of distribution or redemption/repurchase of units/shares; 5) prohibition of purchasing of securities or money market instruments for a not longer than 3- month period; 6) appointment of a temporary representative of the Securities Commission for supervision of the activities.	
<b>DELEGATION OF FUNCTIONS</b>					
14.	Whether CIS operators are permitted to delegate their functions to other persons?	✓		Article 11 of the Law on Collective Investment Undertakings. Seeking more efficient management, the management company or the investment company with variable capital the assets of which are not managed by a management company have the right to delegate part of their management functions to a company authorized to provide certain services and shall promptly notify the Securities Commission thereof.	17

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
15.	If the delegation by CIS operators of their functions is permissible:				17
	(1) whether the regulatory system require the CIS operator to (i) monitor the activity and (ii) evaluate the performance of the delegate?	✓		Subparagraph 3 of paragraph 2 of the Article 11 of the Law on Collective Investment Undertakings.	
	(2) whether the delegating operator is required to disclose to investors the delegation arrangements and the identity of the delegate?	✓		Subparagraph 6 of paragraph 2 of the Article 11 of the Law on Collective Investment Undertakings. Paragraph 39 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof. The delegating operator has to disclose the delegation arrangements in its prospectus.	
	(3) whether the delegating operator will be held responsible for actions or omissions of the delegate as though they were done as its own?	✓		Paragraph 4 of the Article 11 of the Law on Collective Investment Undertakings.	
	(4) whether the CIS operator can terminate the delegation and make alternative arrangements for the performance of the delegated function, where available?	✓		Subparagraph 4 of paragraph 2 of the Article 11 of the Law on Collective Investment Undertakings.	
<b>LEGAL FORM/INVESTORS RIGHTS</b>					
16.	Whether there are requirements as to the legal form and structure of a CIS?	✓		Articles 3 and 6 of the Law on Collective Investment Undertakings. Only a private limited liability company (in Lithuanian <i>uždaroji akcinė bendrovė</i> ) or a public limited liability company (in Lithuanian <i>akcinė bendrovė</i> ) holding a licence for the activities of a management company issued by Lithuanian Securities Commission shall have the right to engage in the management of unit trusts/common funds or investment companies with	18

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>variable capital.</p> <p>Only a public limited liability company (in Lithuanian <i>akcinė bendrovė</i>) holding a licence for the activities of an investment company with variable capital issued by the Securities Commission may engage in the activities of investment company with variable capital.</p> <p>A board and administration shall be formed in the management company and in the investment company with variable capital, the management of whose assets has not been delegated to a management company.</p>	
17.	Whether the rights of investors to a CIS, the ways to exercise them and the risks associated with the investment are required to be disclosed to investors?	✓		<p>Article 7 of the Law on Collective Investment Undertakings.</p> <p>Paragraph 2 of the Article 4 of the Law on Companies.</p> <p>Paragraph 12 of the Annex 1 of Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.</p> <p>The Articles of Association of the investment company with variable capital have to specify the rights granted by the shares, procedure of sale, redemption/repurchase of and payment for shares, grounds and procedure of suspension of share redemption/repurchase. The prospectus of the collective investment undertaking has to include information about the rights of participants (investors). The rules of the unit trust/common fund</p>	18

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				must provide for the rights and obligations of the participants.	
18.	Does the regulatory framework provide that where changes are made to investor rights that do not require prior approval from investors, notice is given to (i) investors and to (ii) the regulator before the changes take effect?	✓		Paragraph 4 of the article 7 and article 13 of the Law on Collective Investment Undertakings Prior authorisation of Lithuanian Securities Commission shall be required for certifying, amending or supplementing the fund rules or articles of association of an investment company with variable capital.	18
<b>SEPARATION OF ASSETS</b>					
19.	Whether the operator of a CIS is required to separate and segregate CIS assets from the assets of managers, its related entities and other schemes?	✓		Article 15 of the Law on Collective Investment Undertakings	18
20.	Whether there are qualification requirements for the entities holding CIS assets? If "yes", please briefly describe.	✓		Paragraph 1 of Article 31 of the Law on Collective Investment Undertakings. The depository has to be a commercial bank, which has a registered office, or a branch in the Republic of Lithuania and which is entitled to provide investment services, the Central Securities Depository of Lithuania or central securities depositories of the European Union states, provided they are entitled to engage in safekeeping of monetary resources.	18
21.	If CIS assets are required to be held in safekeeping on behalf of the investors by a third party, whether it is required that the third party be independent of the CIS operator? If "yes", please briefly describe such independence requirement.	✓		Article 34 of the Law on Collective Investment Undertakings. The assets of the CIS have to be entrusted to a depository for safekeeping. A depository may not at the same time engage in the activities of both the management company	18

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>and the investment company with variable capital. The head of administration of the management company or the investment company with variable capital, a board member or its staff member may not be the manager, board member or staff member of the board of the depository which has in its safekeeping the assets of the unit trust/common fund (investment company with variable capital) managed by the said company, if the functions of manager, board member or member of the board staff are directly linked to the activities of the depository.</p> <p>The manager, board members, supervisory board members or staff, whose functions are directly linked to the activities of the depository may constitute not more than 1/4 of the supervisory board members of the management company (investment company with variable capital) which manages the unit trust/common fund.</p>	
22.	If the custodian and investment functions may be performed by the same legal entity or related entities, whether there are special legal or regulatory safeguards with respect to the CIS assets? If "yes", please briefly describe.		✓	<p>Paragraph 1 of Articles 33 and 34 of the Law on Collective Investment Undertakings.</p> <p>A depository may not engage in the activities of the management company or the investment company with variable capital, except for cases when the right of a management company to manage a collective undertaking expires and the management functions have not been delegated to another management company</p>	18

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				(then the depository takes over such functions for a maximum 3-month period). The collective investment undertaking that has not been transferred to another management company within a 3-month period shall be liquidated (distributed).	
23.	Whether CIS operators are required to maintain a register of holders of shares or units in the scheme?	✓		Paragraph 1 of the Article 4 of the Law on Collective Investment Undertakings.	18
24.	Whether CIS operators are required to keep all books and records in relation to transactions involving CIS assets and all transactions in CIS shares or units?	✓		Paragraph 9 of Article 9 of the Law on Collective Investment Undertakings. All books and records in relation to transactions involving CIS assets and all transactions in CIS shares or units has to be kept for at least 5 years, unless it is stipulated otherwise by the other legal acts.	18
25.	Whether there are auditing requirements in relation to CIS assets?	✓		Article 14 of the Law on Collective Investment Undertakings.	18
26.	If the answer to the above question is "yes", whether the auditors are required to report to the regulator any irregularities or non-compliance?	✓		Paragraph 2 of the Article 46 of the Law on Financial Institutions.	18
<b>DISCLOSURE</b>					
27.	In making a public offering of a CIS, whether the CIS operator is required to				
	(i) issue an offering document (e.g., a prospectus)?	✓		Article 52 of the Law on Collective Investment Undertakings.	19

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(ii) deliver it to investors?	✓		Article 53 of the Law on Collective Investment Undertakings. A copy of the simplified prospectus must be offered to the subscribers of units or shares free of charge before the conclusion of a contract. Copies of a full prospectus must be supplied to subscribers for units or shares free of charge on request.	
	(iii) deposit it to the regulator and obtain its prior approval?	✓		Paragraph 1 of the Article 24 of the Law on Collective Investment Undertakings. Paragraph 20 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
<b>28.</b>	Whether CIS offering document is required to include the following information:				
	(1) the date of the issue of the offering document?	✓		Paragraph 5 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof..	19
	(2) information concerning the legal constitution of the CIS?	✓		Paragraph 1 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(3) the rights of investors in the CIS?	✓		Paragraph 12 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(4) any pending material legal proceedings involving the CIS?		✓	However, prospectuses have to include “other important information”. Paragraph 40 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof..	
	(5) procedures for purchase, redemption, and pricing of units?	✓		Paragraphs 23 and 24 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(6) relevant, audited financial information concerning the CIS?	✓		Paragraph 14 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(7) information on the custodian?	✓		Paragraph 37 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(8) the investment policy of the CIS (i.e., indicating the markets and instruments in which investments are made)?	✓		Paragraphs 38 – 39 of Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(9) information on the risks involved in achieving the investment objectives?	✓		Paragraph 30 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(10) the appointment of any external administrators or investment managers or advisers who have a significant and independent role in relation to the CIS?	✓		Paragraphs 38 and 39 of Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(11) fees and charges in relation to the CIS?	✓		Paragraph 24 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(12) the regulatory authority, auditors and other independent third parties and their responsibilities in relation to the CIS?	✓		Paragraph 9 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
	(13) description of the methodology of asset valuation?	✓		Paragraph 15 of the Annex 1 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	
29.	Whether CIS operators are subject to a general disclosure obligation to allow investors to evaluate the suitability of the CIS for them?	✓		Article 51 of the Law on Collective Investment Undertakings. Paragraphs 52 and 53 of the Regulations on Register of Legal Persons. An investment company with variable capital and a management company (for each unit trust/common fund it manages) must publish prospectuses and annual reports. Besides, their articles of association and other documents, indicated in the Regulations of Register of Legal Persons have to be submitted to the Register of Legal Persons. Such documents are considered as public. The companies' registration data is public.	19
30.	Whether the regulator has the power under the law to take actions in the event that the issuing documentation is inaccurate, misleading or false or fails to satisfy the filing/approval requirements? If "yes", please list all regulatory actions available.	✓		Paragraph 14.2 of the Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof.	19

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>The Lithuanian Securities Commission is entitled:</p> <ol style="list-style-type: none"> <li>1) to request for additional information and clarification;</li> <li>2) to prepare comments regarding inaccurate, misleading or false information presented in the reports and present this comments to the CIS operators.</li> </ol> <p>The Operators has an obligation in the term of ten days to present comments regarding presented report and to fix the report and present it to Lithuanian Securities Commission. If CIS operator did not present comments regarding presented report, Lithuanian Securities Commission is entitled to refuse to approve the prospectus.</p>	
31.	Whether the offering document is required to be kept up-to-date to take account of any material changes affecting the CIS?	✓		<p>Paragraph 5 of the Article 52 of the Law on Collective Investment Undertakings.</p> <p>Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof, par. 12.</p> <p>Any changes in the information published in a simplified or full prospectus the prospectuses have to be amended within 7 days from the occurrence of the changes.</p>	19
32.	Whether prior notification is required to be given to the regulator regarding changes to information in an offering document? If "yes", please indicate whether the regulator's approval is required.	✓		Subparagraph 5 of paragraph 1 of the Article 13 of the Law on Collective Investment Undertakings.	19
33.	Whether CIS operators are required to submit to the regulator a report setting forth the activities in respect of a CIS on a periodic basis (please specify the	✓		Articles 51, 52 and 53 of the Law on Collective Investment Undertakings	19

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	report's periodic basis: annual, semi-annual, quarterly)?			CIS operators have to publish and submit to the regulator annual and semi-annual reports.	
	If the answer to the above question is "yes":				
34.	(1) whether the law or regulation require a timely distribution of the report?	✓		<p>Article 53 of the Law on Collective Investment Undertakings.</p> <p>Annual and half-yearly reports shall be published and submitted to the Securities Commission within the following time limits with effect from the end of the periods to which they relate:</p> <p>1) 4 months in the case of the an annual report;</p> <p>2) 2 months in the case of the half-yearly report.</p> <p>Copies of the newest annual reports and subsequent half-yearly reports must be supplied to subscribers for units or shares free of charge on request. The annual and half-yearly reports shall be supplied to the participants in the collective investment undertaking free of charge on request. The annual and half-yearly reports must be available to the public at the places specified in the full and simplified prospectuses.</p>	19
	(2) whether the regulatory framework requires that the accounts of a CIS be prepared in accordance with high quality, internationally acceptable accounting standards?	✓		Rules on the Preparation and Submission of Information by Management Companies and Investment Variable Capital Companies the Management of Whose Assets has not been Delegated to a Management Company	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>ASSET VALUATION</b>					
35.	Whether CIS operators are required to have the CIS net asset value (NAV) <sup>14</sup> calculated on a regular basis? If "yes", please indicate the frequency.	✓		Section IX of the Methodology on Calculation of the Value of the Net Assets, approved by the Securities Commission Resolution No. 4 on 12.02.2004.  Own (net) assets of investment fund and variable capital investment undertaking as well as value of accounting or investment unit (share) should be counted every working day.  Average annual value of own (net) asset and monthly unit value should be also counted.	20
36.	Whether the valuation of the CIS assets is required to be checked by independent auditors?		✓	CIS activities have to be periodically audited but there are no specific rules as to valuation of the CIS assets.  According to the paragraph 21.2 of the Methodology on Calculation of the Value of the Net Assets, approved by the Securities Commission Resolution No. 4 on 12.02.2004., the valuation of the CIS assets has to be checked by internal auditors.	20
37.	Whether there are specific regulatory requirements in respect of fair valuation of assets where market prices are not available?	✓		Paragraph 35 of the Methodology on Calculation of the Value of the Net Assets.	20
<b>PRICING AND REDEMPTION OF INTEREST</b>					
38.	Whether the operator of a CIS is required to disclose or publish the price of the	✓		Article 54 of the Law on Collective	20

<sup>14</sup> The calculation of the net asset value (NAV) of a CIS is extremely important, as the NAV reflects the price which an investor pays when investing in a CIS (subject to any additional up-front charges) and the price an investor will receive (subject to any additional exit charges) should a holding be liquidated.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	CIS unit on a regular basis?			Investment Undertakings. A management company or an investment company with variable capital shall make public in the manner set forth in the instruments of incorporation the sale, redemption/ re-purchase price of its units or shares every time it sells, redeems/re-purchases them, and at least twice a month. With the consent of the Securities Commission, however, the frequency may be reduced to once a month on condition that such derogation does not prejudice the interests of the investors.	
39.	Whether CIS operators are subject to an on-going obligation to disclose, in a timely fashion by way of notices or announcements, information which is material to the value of a CIS or otherwise significant to holders of interests in a CIS?	✓		Article 52 of the Law on Collective Investment Undertakings. A full and a simplified prospectus must include the information necessary for investors to be able to make an informed judgment for the investment proposed to them and the associated risks. Should there be any changes in the information published in a simplified or full prospectus the prospectuses should be amended within 7 days from the occurrence of the changes.	19
40.	Whether there is a maximum time period for making payment of redemption proceeds? Please specify	✓		Article 47 of the Law on Collective Investment Undertakings. Settlement for the redeemed/repurchased units or shares must be effected within 7 days from the request for redemption/repurchase.	20

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
41.	Whether there are rules governing the fees or charges payable by investors on the purchase or redemption of shares or units of a CIS?	✓		However according to the par. 24 of the Annex I of Regulations on the Contents of Prospectuses of the Collective Investment Undertakings and the Submission Thereof, rules governing the fees or charges payable by investors on the purchase or redemption of shares or units of a CIS in the prospectus.	20
42.	Whether there are rules or mechanisms in place to address errors in respect of the price of the CIS units or the value of CIS assets?	✓		Section VIII of the Methodology on Calculation of the Value of the Net Assets.	20
43.	Whether suspension or deferral of routine valuation and pricing and regular redemption of shares or units of a CIS is permissible under certain circumstances? If "yes", please briefly the circumstances.	✓		Article 48 of the Law on Collective Investment Undertakings.  The suspension or deferral of routine valuation and pricing and regular redemption of shares or units of a CIS is permissible in cases when it is required for safeguarding the interests of the investors (in case of the possible insolvency of the collective investment undertaking or fall in the redemption price or in the value of the investment portfolio); and in cases when the available amount of money is insufficient to pay for the units or shares being redeemed; in cases when such measure is applied by the Securities Commission under conditions prescribed by the Law.	20
44.	Whether the regulator has the power to demand, delay or stop the deferral or suspension of redemption rights?	✓ (with some exceptions, see comments)		Articles 18 of the Law on Collective Investment Undertakings.  Securities Commission is entitled to suspend the redemption/repurchase of units/shares.  The Law does not expressly provide for the right of the Lithuanian Securities	20

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Commission to delay or stop the deferral or suspension of redemption rights.	

## Section E – Market Intermediaries

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>AUTHORISATION AND LICENSING</b>					
1.	Whether licensing is required to conduct business as:				21
	(i) Market intermediaries <sup>15</sup> ?	✓		Article 4 of the Law on Market of the Financial Instruments.	
	(ii) Investment Advisers <sup>16</sup> ?	✓			
2.	Whether the relevant law or regulations establish minimum standards or criteria that all applicants for licensing must meet before a license is granted?	✓		Article 6 of the Law on Market of the Financial Instruments	21
3.	Whether the circumstances in which a license application may be refused are clearly set forth in the law or regulation? If "yes", please briefly describe.	✓		According to the Article 7 of the Law on Market of the Financial Instruments, the Lithuanian Securities Commission has a right to refuse to issue the licence of the financial brokerage firm, where: 1) the data (documents) do not meet the requirements or if the data provided in it is incomplete or untrue; 2) managers of the firm are not of sufficiently good repute or do not have sufficient experience; 3) the intended changes of the managers of the firm pose a threat to a reliable and transparent management of the firm; 4) the firm fails to provide information about the firm's shareholders, the holdings of shares under their direct or indirect management and the amount of the holdings; 5) there is a reason	21

<sup>15</sup> "Market intermediaries" include those who are in the business of managing individual portfolios, executing orders and dealing in, or distributing, securities.

<sup>16</sup> "Investment advisers" for the purpose of this assessment are those engaged in the business of advising others regarding the value of securities or the advisability of investing in, purchasing or selling securities. They offer only advisory services without offering other investment services.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				to believe that the holders of the block of shares of the firm will fail to ensure the reliable and transparent management of the firm; 6) a close link exists between the firm with other legal or natural persons might hamper efficient supervision to be exercised by Lithuanian Securities Commission; 7) at least one of the employees of the firm is an employee of a regulated market operating in the Republic of Lithuania or the Central Securities Depository of the Republic of Lithuania; 8) premises and equipment owned or rented are inadequate for the provision of investment services; 9) the head office of the firm established in the Republic of Lithuania is situated outside the territory of the Republic of Lithuania; 10) the requirements of the laws or regulations governing the status of third party natural or legal persons with whom the firm is related by close links or the enforcement of such requirements might hamper efficient supervision to be exercised by Lithuanian Securities Commission; 11) the firm fails to meet the capital requirements established by Lithuanian Securities Commission; 12) the firm has not undertaken to become a member of the recognised investor insurance system; 13) the firm has not put in place the measures and procedures ensuring the compliance with the organisational requirements imposed upon the financial brokerage firm.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
4.	<p>If the answer to the above question is "yes", whether these requirements include:</p> <p>(1) an assessment of whether the applicant has the appropriate financial resources (e.g., minimum initial capital) to carry on the proposed business? If "yes", please specify</p>	✓		<p>Article 12 of the Law on the Market of the Financial Instruments.</p> <p>According to the Rules on Calculation of Capital Adequacy of Financial Brokerage Firms, a specific amount of minimum initial capital (EUR 50,000 for the C type licence, EUR 125,000 for the B type licence and EUR 730,000 for the A type licence) is required.</p> <p>The holder of the A type license is entitled to provide all, some or one of the below mentioned financial services, if one of the providing services is reception and transmission of orders on own account or underwriting of financial instruments and (or) placing of financial instruments on a company's commitment basis: (1) reception and transmission of orders; (2) execution of orders on behalf of clients; (3) dealing on own account; (4) management of portfolio of financial instruments; (5) investment advice; (6) underwriting of financial instruments and (or) placing of financial instruments on a firm commitment basis; (7) placing of financial instruments without a firm commitment basis. The holder of the B type license is entitled to provide all or some of the below mentioned financial services: (1) reception and transmission of orders; (2) execution of orders on behalf of clients; (3) management of portfolio of financial instruments; (4) investment advice; (5) placing of financial instruments without a firm commitment basis. The holder of the C type license is entitled to provide the following financial services: (1) reception and transmission of orders; (2) management of portfolio of financial instruments; (3) investment advice; (7) placing of financial instruments without a firm commitment basis.</p>	21

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(2) an assessment of whether the applicant has adequate operational systems and controls for the businesses it proposes to carry on, such as proper books and records, internal controls, risk management, and supervisory systems?	✓		Article 13 of the Law on the Market of the Financial Instruments.	
	(3) an assessment of whether the applicant has senior management and directors with the knowledge, skills and experience necessary to perform their proposed roles?	✓		Article 9 of the Law on the Market of the Financial Instruments.	
	(4) an assessment of whether the applicant has a proven track record/past conduct?	✓		Article 13 of the Law on the Market of the Financial Instruments.	
<b>ONGOING REQUIREMENTS</b>					
<b>5.</b>	In the event that a market intermediary fails to meet ongoing requirements, whether the regulator has the power to:				21
	(1) suspend the intermediary's license?		✓		
	(2) revoke the intermediary's license?	✓		Article 86 of the Law on the Market of the Financial Instruments. The Lithuanian Securities Commission has a right to revoke the licence authorizing them to provide one, several or all of the operations. This measure may not be applicable to the credit institutions.	
	(3) impose conditions or restrictions on the intermediary's business operations?	✓		Article 86 of the Law on the Market of the Financial Instruments. The Lithuanian Securities Commission has a right to warn the financial brokerage firms for the shortcomings and violations of their activities and set the term for the elimination of such shortcomings and violations. This remedy also may be imposed on credit institutions.	
	(4) take effective steps to seek the removal of persons employed at the intermediary which have committed securities violations?	✓		Article 86 of the Law on the Market of the Financial Instruments.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(5) impose other sanctions? If "yes", please specify.	✓		Article 86 of the Law on the Market of the Financial Instruments. The Lithuanian Securities Commission has the right: 1) to impose upon the employees of the financial brokerage firms administrative fines and other fines stipulated in the Law (this remedy also may be imposed on credit institutions); 2) to appoint an interim representative of the Lithuanian Securities Commission for the supervision of the activity.	
6.	Whether intermediaries are required to immediately report to the regulator on the occurrence of the following events:				
	(1) significant change in the ownership of the firm?	✓		Article 10 of the Law on the Market of the Financial Instruments.	21
	(2) change in the senior management or directors of the firm?	✓		Article 9 of the Law on the Market of the Financial Instruments.	
	(3) change in the information delivered during the licensing process or a material change in the intermediary's circumstances?	✓		Article 19 of the Law on the Market of the Financial Instruments.	
(4) other specific events? If "yes", please specify.		✓			
7.	Whether the following information about intermediaries is required to be made publicly available:				
	(1) the existence of a license, its category and status?	✓		Article 6 of the Law on the Market of the Financial Instruments. Public information of the Register of the Legal Entities and Lithuanian Securities Commission.	21
(2) the scope of its permitted activities, the names of its senior management and other individuals authorised to act in the name of the intermediary?	✓		Public information of the Register of the Legal Entities and Lithuanian Securities Commission.		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>INVESTMENT ADVISERS<sup>17</sup></b>					
8.	Does the regulatory framework on investment adviser include detailed requirements setting out the disclosures to be made by the adviser to potential clients, including:				21
	(i) descriptions of the adviser's educational qualifications,		✓		
	(ii) investment strategies,	✓		Article 22 of the Law on Markets in Financial Instruments	
	(iii) fee structure and other client charges,	✓		Article 22 of the Law on Markets in Financial Instruments	
	(iv) potential conflicts of interest, and	✓		Article 21 of the Law on Markets in Financial Instruments	
	(v) past investment performance?		✓		
<b>CUSTODIANS<sup>18</sup></b>					
9.	In case of custodians, does regulation provides for the protection of client assets, including segregation and periodic or risk-based inspections (either by the regulator or an independent third party)?	✓		Paragraph 8 of the Article 13 of the Law on the Market of the Financial Instruments.	21
<b>CAPITAL ADEQUACY REQUIREMENTS</b>					
10.	Whether intermediaries are required to calculate and maintain a minimum amount of capital on an on-going basis? If "yes", please briefly describe.	✓		A calculation and maintenance of a minimum amount of capital basis are regulated but the Rules on Calculation of Capital Adequacy of Financial Brokerage Firms, which are approved by the Securities Commission Resolution.	22

<sup>17</sup> See footnote 17, above.

<sup>18</sup> For the purpose of this assessment, custodians are c those professionals who do not deal, but are permitted to have custody of client assets (i.e., to hold securities on behalf of clients).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
11.	Does the regulatory framework provide for different minimum capital requirement for intermediaries depending on the risks undertaken?	✓		Paragraphs 9 – 11 of the Rules of Calculation of Capital Adequacy of Financial Brokerage Firms.	22
12.	Whether intermediaries are required to provide audited financial statements or other audited reports to the regulator?	✓		Article 15 of the Law on the Market of the Financial Instruments.	23
13.	Whether the regulatory framework require intermediary to have specific liquidity and solvency requirements (e.g., enough capital to run the business for three months)?	✓		Chapter II of the Rules of Calculation of Capital Adequacy of Financial Brokerage Firms	22
14.	Whether an intermediary is required to give notice to the regulator if its capital falls below the minimum requirements?	✓		Paragraph 122 of the Rules of Calculation of Capital Adequacy of Financial Brokerage Firms.	22
15.	Whether there are regulatory measures that the regulator can take in the event that a market intermediary's capital falls below a required minimum? If "yes", please list them.	✓		<p>Article 86 of the Law on the market of the Financial Instruments.</p> <p>The Securities Commission has a right to impose on intermediaries the following sanctions:</p> <p>1) to warn them for the shortcomings and violation of their activities and set the term for their elimination;</p> <p>2) to impose on their employees administrative fines and other fines stipulated in this Law;</p> <p>3) to revoke the license authorising them to provide one, several or all of the operations;</p> <p>5) to appoint an interim representative of the Securities Commission for the supervision of the activity.</p> <p>The Securities Commission shall have the right to apply to commercial banks only the sanctions referred to in items 1 and 2</p>	22

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				hereinabove	
16.	Whether capital adequacy requirements take into consideration trading book <sup>19</sup> positions?	✓		Chapter II of the Rules of Calculation of Capital Adequacy of Financial Brokerage Firms	22
<b>MANAGEMENT AND SUPERVISION</b>					
17.	Whether market intermediaries are required to establish and maintain:				23
	(1) appropriate standards of conduct to ensure that the firm complies with all applicable laws and regulations? <i>Please describe</i>	✓		Article 13 of the Law on the Market of the Financial Instruments.	
	(2) appropriate systems of risk management and internal controls? <i>Please describe</i>	✓		A financial brokerage firm shall put in place an appropriate activity organisation policy and procedures able to ensure the compliance with the requirements stipulated in the law of the financial brokerage firm, its managers, employees and agents, and the rules governing the conclusion of the deals at own account by the managers, employees and agents of the financial brokerage firm.	
<b>CUSTOMER PROTECTION</b>					
18.	Whether a market intermediary is required to “know its customer” before providing specific advice to a customer?	✓		Article 22 of the Law on the Market of the Financial Instruments.	23
19.	Whether market intermediaries are subject to a general duty to put the interests of a client ahead of its own interests?	✓		Conduct Code of National Association of Financial Brokerage Firms, approved by the Resolution of the Securities Commission Resolution No. 5, dated 06.02.1998.	23

<sup>19</sup> The trading book of an institution shall consist of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book (Art.111 of EC Directive 2006/49).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
20.	Whether market intermediaries are required to disclose to the clients where there is a potential for conflicts of interest?	✓		Article 21 of the Law on the Market of the Financial Instruments. Rules on Accepting and Fulfilling of the Clients' Assignments. Conduct Code of National Association of Financial Brokerage Firms. When carrying out their activities, intermediaries must try to avoid conflicts of interests and, where they cannot be avoided, ensure that clients are fairly treated.	23
21.	Whether market intermediaries are required to treat all clients equally in case where conflicts of interest arise between several of the firm's clients?	✓		Article 22 of the Law on the Market of the Financial Instruments. Rules on Accepting and Fulfilling of the Clients' Assignments. Conduct Code of National Association of Financial Brokerage Firms. When carrying out their activities, intermediaries must try to avoid conflicts of interests and, where they cannot be avoided, ensure that clients are fairly treated.	23
22.	Whether market intermediaries are required to enter into written contracts with all clients?	✓		Paragraph 12 of the article 22 and paragraph 7 of the article 27 of the Law on the Market in the Financial Instruments	23

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
23.	Whether market intermediaries are required to provide clients with:				
	(1) transaction reports and/or confirmations? <i>[Please specify the frequency]</i>	✓		Paragraph 12 of the Article 22 of the law on the Market of the Financial Instruments. Paragraphs 49 – 53 of the Rules on Accepting and Fulfilling of the Clients' Assignments. The client must receive from the intermediary adequate reports on the service provided to its clients. The reports have to be presented every six months. If clients requests, reports have to be presented every months. When a client order its broker to buy some shares, the intermediary is under the obligation to report the completed transaction not later than next working day after completing the transactions.	23
(2) account statements? <i>[Please specify the frequency]</i>	✓		Paragraphs 49 – 53 of the Rules on Accepting and Fulfilling of the Clients' Assignments. The account statement has to be presented to the client not later than next working day after the completing the transactions..		
<b>PROCEDURES FOR DEALING WITH INTERMEDIARY IN FINANCIAL DIFFICULTY</b>					
24.	Whether the regulator has a contingency plan or other measures to deal with the financial difficulty (i.e., a situation which could potentially lead to insolvency) of a market intermediary, including a combination of activities to restrain conduct, to ensure assets are properly managed and to provide information to the market as necessary?	✓		There is no separate contingency plan or other measures to deal with the failure of a market intermediary by the Lithuanian Securities Commission. The Lithuanian Securities Commission is entitled to restrict the rights of a market intermediary to provide one or the other	24

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				investment service and to engage in the custody of financial instruments.	
25.	Whether there is an investor compensation fund/scheme <sup>20</sup> in place?	✓		Law on Insurance of Deposits and Liabilities to Investors.	24
26.	Does the regulatory framework provide for early warning systems or other mechanisms (e.g., a specified threshold below which a market intermediary is considered in financial difficulty and the regulator's action is required) to give the regulator notice of financial difficulty by a market intermediary and time to address the problem and to take corrective actions?	✓		The Rules on Calculation of Capital Adequacy of Financial Brokerage Firms A firm must immediately notify the Lithuanian Securities Commission where: (1) the ratio of its liquid own capital and the amount of the required capital adequacy falls below 110%; (2) its contingent liabilities sum up to over 10% of the firm's liquid own capital; (3) its initial capital falls below the minimum set forth; (4) the value of its illiquid assets exceeds 25% of the initial capital and at least one of the constituent part of its illiquid capital exceeds 10% of the initial capital; (5) a party to a securities or commodities repurchase, reverse repurchase, borrowing, lending or sale agreement fails to fulfil its liabilities; (6) loans provided by the firm without a collateral are greater than the initial capital; (7) loans received by the firm are greater than the initial capital. Loans received shall not include clients' funds and subordinated loans; (8) the firm becomes subject to extraordinary conditions (e.g., its computerised accounting system fails),	24

<sup>20</sup> The investor compensation fund (or scheme) is a fund set up usually with contributions of market intermediaries (or the state) aiming to compensate investors in case of an intermediary insolvency. It is not a banking deposit insurance scheme.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				which may result in disturbances of a normal daily work, also if the firm is unable to calculate capital adequacy requirements.	
27.	In the event of financial difficulty of a market intermediary, whether the regulator has the power to:				
	(1) restrict activities by the intermediary?	✓		Clause 6 of the paragraph 1 of article 72 of the Law of the Market of the Financial Instruments.	24
	(2) require the intermediary to take specific actions (e.g., moving clients accounts to another intermediary)?	✓		Article 86 of the Law of the Market of the Financial Instruments.	
	(3) freeze or seize assets held by the intermediary or by a third party on behalf of the intermediary?		✓	However in the case of the insolvency of intermediary the court may freeze or seize assets held by the intermediary or by a third party on behalf of intermediary.	
	(4) appoint a monitor, receiver, or other administrator?	✓		Article 88 of the Law of the Market of the Financial Instruments.	
	(5) require that the relevant information is disclosed to the market?	✓		Clause 2 of the paragraph 1 of article 72 of the Law of the Market of the Financial Instruments.	

## Section F – Secondary Market

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>LICENSING OF EXCHANGES AND TRADING SYSTEMS</b>					
1.	Whether prior authorisation or licensing [ <i>please specify</i> ] is required in respect of:				
	(1) a securities exchange? [ <i>please specify is this authorisation/licensing is different from the one of market intermediary</i> ]	✓		Article 44 of the Law of the Market of the Financial Instruments. The license is different for the license of market intermediary.	25
	(2) a trading system <sup>21</sup> ? [ <i>please specify is this authorisation/licensing is different from the one of market intermediary</i> ]		✓	This case falls under regulation/licensing of stock exchange.	
2.	In connection with an application by an exchange or trading system for authorisation or licensing, whether the regulatory framework requires:				
	(1) evidence of the operational or other competency or fitness of the system operator as a secondary market?	✓		Articles 49-52 of the Law of the Market of the Financial Instruments.	25
	(2) the operator of the system assuming risks <sup>22</sup> to comply with prudential and other requirements designed to reduce the risk of non-completion of transactions (e.g., mandatory margin assessment and collection, capital or financial resources, member contributions, compensation scheme, credit or position limits)?	✓		Article 52 of the Law of the Market of the Financial Instruments.	
	(3) the regulator to be informed of the types of securities to be traded?	✓		Article 44 of the Law of the Market of the Financial Instruments.	
	(4) the regulator to give approval of the rules [and any amendments thereof] governing the admission of securities to be traded?	✓		Article 53 of the Law of the Market of the Financial Instruments.	

<sup>21</sup> A trading system means essentially any organization, association, person, group of persons, or system that constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange. The main difference between a trading system and the stock exchange is that the former does not set rules governing the conduct of subscribers other than the conduct of such subscribers' trading on such organization, association, person, group of persons, or system; or discipline subscribers other than by exclusion from trading (for a different definition under EU law, see Art. 4, item 14 and 15 of Directive 2004/39/EC dated 21 April 2004 on markets in financial instruments – so-called MiFID).

<sup>22</sup> I.e., principal risk, settlement risk, guarantee risk and performance risk.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(5) all persons with direct access to the system to be authorised or licensed? <i>[please specify if the same rules apply to the trading system and stock exchange]</i>	✓		Article 56 of the Law of the Market of the Financial Instruments	
	(6) the same financial capacity, integrity, or performance criteria as those for market intermediary must be met by persons with direct access to the system or exchange?	✓		Article 56 of the Law of the Market of the Financial Instruments.	
	(7) clearly disclosed standards or procedures governing trade execution (e.g., requirements with respect to precedence of client orders, prohibitions on front-running <sup>23</sup> or trading ahead of customers, etc)? If "yes", please describe.	✓		Article 53 of the Law of the Market of the Financial Instruments. Regulated market has to establish and maintain transparent and non-discriminatory rules, based on objective criteria and drafted and approved by the operator of the regulated market. Prior to the approval of such rules the operator has to obtain the endorsement thereof by the Securities Commission.	
<b>ONGOING SUPERVISION</b>					
3.	Whether the regulatory framework requires the regulator to have arrangements in place for continuous monitoring, surveillance and supervision of the trading system and the conduct of its participants?	✓		Article 53 of the Law of the Market of the Financial Instruments. The regulated market has to establish and maintain effective arrangements and procedures for the regular monitoring of the compliance by their members or participants with their rules. Regulated markets have to monitor the transactions undertaken by their members or	26

<sup>23</sup> The illegal practice of taking a position based on information not publicly available regarding an imminent transaction, possibly ahead of a customer order. (e.g., a broker who buys himself 200 shares in a stock just before his or her brokerage plans to buy a large block of 400,000 shares).

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				participants under their systems in order to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse.	
4.	Whether the regulatory framework provides the system operator, the regulator or others have the power to suspend or halt trading, set margins, set position limits or otherwise intervene in case unusual or potentially improper trading occurs? If "yes", please briefly describe.	✓		Article 55 of the Law of the Market of the Financial Instruments. The operator of the regulated market may suspend or remove from trading a financial instrument which no longer complies with the rules of the regulated market unless such a step would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.	25
5.	Whether the regulatory framework requires the regulator to have a procedure in place to assess the continuing compliance of the trading system or exchange with the initial authorisation requirements?	✓		Article 53 of the Law of the Market of the Financial Instruments. The regulated market has to establish and maintain effective arrangements and procedures for the regular monitoring of the compliance by their members or participants with their rules. Regulated markets have to monitor the transactions undertaken by their members or participants under their systems in order to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse	26
6.	Is the regulator determines that the exchange or trading system is unable to comply with the conditions of its initial authorisation, does the regulatory framework provide the regulator with the power to:				26
	(i) re-examine the exchange or trading system conditions of authorisations/licensing and impose a range of actions, such as restrictions or conditions on the market operator?	✓		Article 46 of the Law of the Market of the Financial Instruments.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(ii) withdraw the exchange or trading system's authorization?	✓		Article 46 of the Law of the Market of the Financial Instruments.	
<b>TRANSPARENCY OF TRADING</b>					
7.	Whether the regulatory framework includes				27
	(i) requirements or arrangements for providing (a) pre-trade (i.e., posting bids and offers) and (b) post-trade (i.e., last sale price and volume of transactions) information to market users? If "yes", please indicate the frequency and timing of reports and what is reported.	✓		Article 58, 59 of the Law of the Market of the Financial Instruments.  (a) The regulated market has to make public the offers for trades in shares admitted to trading on that regulated market. The regulated market shall on a continuous basis during normal trading hours and on reasonable commercial terms the total number of orders and the related shares under each price level specifying the five best bid and offer prices. The regulated market shall make public the price, volume and time of the transactions executed in respect of shares admitted to trading. Details of all such transactions are to be made public, on a reasonable commercial basis and as close to real-time as possible.  (b) The regulated market shall make public the price, volume and time of the transactions executed in respect of shares admitted to trading. Details of all such transactions are to be made public, on a reasonable commercial basis and as close to real-time as possible.	
	(ii) Requirements or arrangements that information on completed transactions be provided on an equitable basis to all participants?	✓		Articles 58, 59 of the Law of the Market of the Financial Instruments.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
8.	Does the regulatory framework allow the exchange or trading system's operator to permit derogation from the objective of real-time transparency <sup>24</sup> ? If yes, are conditions clearly defined?	✓		Details of all transactions are to be made public, on a reasonable commercial basis and as close to real-time as possible.	
<b>DETECTION OF UNFAIR PRACTICES</b>					
9.	Whether there is legislation prohibiting the following conduct in respect of securities admitted to trading on authorised exchanges and regulated trading systems:				28
	(1) market or price manipulation?	✓		Article 63 of the Law of the Market of the Financial Instruments. Conduct Code of National Association of Financial Brokerage Firms	
	(2) misleading information?	✓		Article 63 of the Law of the Market of the Financial Instruments. Conduct Code of National Association of Financial Brokerage Firms	
	(3) insider trading?	✓		Article 63 of the Law of the Market of the Financial Instruments. Conduct Code of National Association of Financial Brokerage Firms	

<sup>24</sup> The degree of transparency of a market can be measured as a deviation from a real-time standard. However, there is no single standard of "timeliness." Most exchanges and regulatory systems provide for a certain degree of deviation from a real-time standard, such as, permitting some degree of opaqueness of quote information for block transactions, adopting different definitions of "real-time," adopting a "promptness" standard that varies from several minutes to a longer time, allowing exceptions to real-time based on the size of the trade, type of trade (dealer mediated rather than auction market) or type of dealer. Indeed, each type of market microstructure delivers market fairness, efficiency and transparency in slightly different ways.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(4) front-running <sup>25</sup> ?	✓		Article 63 of the Law of the Market of the Financial Instruments. Conduct Code of National Association of Financial Brokerage Firms	
	(5) excessive leverage in the system (e.g., trading on margin <sup>26</sup> )?		✓		
	(6) other fraudulent or deceptive conduct and market abuses?	✓		Conduct Code of National Association of Financial Brokerage Firms	
<b>10.</b>	Does the regulatory framework provide the regulator with the power to supervise and inspect (i) securities position limits, (ii) quotation display rules, (iii) order handling rules, (iv) settlement price rules or market halts?	✓		Article 72 of the Law of the Market of the Financial Instruments, gives the Lithuanian Securities Commission the rights to supervise the activities of the securities exchange as well as to request all the information, inspect the registries, data bases, etc.	28
<b>11.</b>	In case of detection of trading violations, whether the following actions can be taken by the relevant authority:				28
	(1) liquidation of positions?		✓		
	(2) suspension of trading?	✓		Article 85 of the Law of the Market of the Financial Instruments.	
	(3) fines?	✓		Article 95 of the Law of the Market of the Financial Instruments.	
	(4) revocation or suspension of membership or access authorisation?	✓		Article 85 of the Law of the Market of the Financial Instruments.	
	(5) other sanctions [ <i>please explain</i> ]?		✓		

<sup>25</sup> The unethical practice of a broker trading an equity based on information from the analyst department before his or her clients have been given the information.

<sup>26</sup> This practice is about trading with borrowed money, which can be extremely risky because both gains and losses are amplified. That is, while the potential for greater profit exists, this comes at a hefty price - the potential for greater losses. Margin also subjects the investor to a number of unique risks such as interest payments for use of the borrowed money.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(6) required arbitration or mediation?		✓		
<b>MONITORING OF LARGE EXPOSURES</b>					
12.	Whether the relevant regulatory framework requires the clearing firm, the market, and/or the regulator to monitor trading in order to identify large exposures <sup>27</sup> ? If "yes", please briefly describe (i) how the law defines "large exposure" and (ii) the monitoring functions conducted (e.g., reporting requirement, inspections etc.)	✓ (partially)		According to the Articles 58, 59 of the Law on the Market of the Financial Instruments, the operator of the regulated market has file to Lithuanian Securities Commission information on concluded transactions.  There is no definition of "large exposure" in the law.	29
13.	Whether the regulator or the market has the power to compel customers or market members carrying or controlling large positions to reduce their exposures or to post increased margin?	✓		Article 23 of the Law on Securities, requires notification about acquisition of significant influence and any changes (increase/decrease) in equity ownership in the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% and 95%. According to the paragraph 9 of the article 23 of the Law on Securities, if the persons failed to notify the acquisition of equities, such persons cannot use their voting rights for two years.	29
14.	In case a market member does not make relevant required information needed to evaluate an exposure available to the market authority, whether the following action can be taken by the relevant market authority:				29
	(1) impose limitations on future trading?	✓		Articles 85 of the Law on the Market of the Financial Instruments.	
	(2) require liquidation of positions?		✓		

<sup>27</sup> The terms "large exposure" refers to open positions or credit exposures that are sufficiently large to expose a risk to the market or to a clearing firm.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(3) increase margin requirements?		✓		
	(4) revoke trading privileges?		✓		
	(5) suspend from trading?	✓		Articles 85 of the Law on the Market of the Financial Instruments	
	(6) require to increase capital of the market member?		✓		
<b>DEFAULT PROCEDURES</b>					
15.	Whether the market is required to have contingency plans or emergency procedures in dealing with a market disruption or system failure?	✓		Article 52 of the Law on the Market of the Financial Instruments	29
16.	Whether the regulatory framework requires markets and/or the clearing and settlement system(s) promptly to isolate the problem of a firm in financial difficulty by addressing its open positions or otherwise protect customer funds and assets from an intermediary's default under national law?	✓		Article 52 of the Law on the Market of the Financial Instruments	29
17.	Whether the regulatory framework requires intermediaries to separate and segregate customers' assets from other funds and assets?	✓		Paragraphs 7 – 8 of the Article 13 of the Law on the Market of the Financial Instruments.	29
18.	If yes, in the event of intermediary's insolvency, does the framework enable customer's positions to be moved by a receiver to a solvent intermediary?	✓		Article 13 of the Law on the Market of the Financial Instruments. According to the Article 9 of the Law on Insurance of Deposits and Obligations to Investors, in case of failure by the market member to settle with the client (to deliver money/securities) the client is compensated from the Guarantee Fund.	29

## Section G – Clearing and Settlement

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
<b>AUTHORISATION AND LICENSING OF SECURITIES SETTLEMENT SYSTEMS</b>					
1.	Whether the clearing and settlement systems are subject to direct supervision either by the regulator or the relevant market authority?	✓		Articles 64, 67 and 71 of the Law on the Market of the Financial Instruments.	18
2.	If the regulator has oversight responsibility regarding the clearing and settlement system, whether the regulator has the power to:				30
	(1) license clearing and settlement systems?	✓		Please note that the Litas payment system operated by the Bank of Lithuania, which performs clearing functions and the Central Securities Depository are authorized by laws to perform their activities.  The securities settlement system of the Central Securities Depository must be registered within the Bank of Lithuania.	
	(2) issue rules mandating specific standards for clearing and settlement systems?	✓		Article 71 the Law on the Market of the Financial Instruments, and Article 8 of the Law on the Bank of Lithuania.	
	(3) approve changes to a clearing and settlement system's rules and procedures?	✓		Article 68 the Law on the Market of the Financial Instruments, and Article 8 of the Law on the Bank of Lithuania.	
	(4) conduct surveillance of the operations of clearing and settlement systems?	✓		Article 71 the Law on the Market of the Financial Instruments	
	(5) inspect, audit or require a third party inspection or audit of clearing and settlement systems?	✓		Article 71 the Law on the Market of the Financial Instruments	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
	(6) require the clearing organization to file reports?	✓		Please note that the Securities Commission may perform regulatory functions only in respect of the Central Securities Depository operating the securities settlement system, which acts in conjunction with the Litas payment system operated by the Bank of Lithuania.	
	(7) bring regulatory actions against a clearing and settlement systems for violations of the securities laws and regulations or for failure to enforce its own rules?	✓		Article 95 of the Law on the Market of the Financial Instruments.	
<b>TRADE CONFIRMATION AND DELIVERY VERSUS PAYMENT</b>					
3.	Whether the regulatory framework requires that confirmation of trades between direct market participants occur no later than trade date (T+0)?		✓		2
4.	Whether the regulatory framework requires that trades be settled within three days from the trade date (T+3)?	✓		Paragraph 51.2.1. of the Trade Rules of public company "Vilnius Stock Exchange", establishes that settlement for automatic transactions on ownership securities must be carried out on T+3, while pursuant to paragraph 51.2.2. settlement for transactions carried out by manual trade must be made from T+1 till T+6.  Paragraph 64.2.1. of the Trade Rules of public company "Vilnius Stock Exchange", establishes that settlement for automatic transactions on debt securities must be carried out on T+3, while pursuant to paragraph 64.2.2. settlement for transactions carried out by manual trade must be made from T+1 till T+6.	3
5.	Does the technical, legal and contractual framework ensure that delivery of securities takes place if, and only if, payment is received? (i.e., DVP -	✓		Paragraphs 64.3, 51.3 of the Trade Rules of	3

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
	delivery versus payment)?			public company “Vilnius Stock Exchange”.	
<b>TRANSPARENCY</b>					
6.	Do entities that provide the clearing, settlement and custodial infrastructure of securities markets make clear disclosures to market participants about their rules, regulations, relevant laws, governance procedures, risks, steps taken to mitigate risks, and the rights and obligations of participants?	✓		Articles 64 – 66 of the Law on the Market of the Financial Instruments.	17
<b>CENTRAL DEPOSITORY<sup>28</sup></b>					
7.	Are securities issued on a dematerialised basis (i.e., electronic issue opposed to the issuance as a physical certificate)?	✓		According to the paragraph 3 of the Rules on Securities Accounting and Their Circulation all securities accounted by the Central Securities Depository are dematerialized and transferred by book-entry system.	6
8.	Does the transfer of securities require any form of physical delivery?		✓		6
9.	Does a central securities depository (CSD) exist? If NO, please briefly describe the settlement system.	✓		Article 67 of the Law on Market of the Financial Instruments.	6
10.	If the answer to the above question is “yes”, does an entry in the CSD result automatically in the transfer of the legal title to the securities in the official register of the issuer? If NO, please specify which rights are given by the entry	✓		Paragraph 16.3 of the Rules on Securities Accounting and Their Circulation	6
11.	Are securities immobilised or dematerialised and transferred by book entry in a CSD?	✓		According to the Rules on Securities Accounting and Their Circulation all securities accounted by the Central	6

<sup>28</sup> There are several different ways for owners to hold securities. In some jurisdictions, physical securities circulate and beneficial owners may keep securities in their possession, although owners typically employ a custodian to hold them to reduce risks and safekeeping costs. The costs and risks associated with owning and trading securities may be reduced considerably through immobilisation of physical securities, which involves concentrating the location of physical securities in a depository. The immobilisation or dematerialisation of securities and their transfer by book entry within a CSD significantly reduces the total costs associated with securities settlements and custody.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
				Securities Depository are dematerialized and transferred by book-entry system.	
<b>OVERSIGHT</b>					
12.	Is the clearing and settlement systems required to:				
	a) file periodic reports to the regulator?	✓		Clause 11 of the paragraph 1 of the article 68 of the Law on the Market of the Financial Instruments.  Central Depository has to submit to Lithuanian Securities Commission proposals concerning financial instrument accounting issues and provide reports on the development of the accounting system and the main problems related thereof.	30
	b) submit to periodic and/or special audits and inspections?	✓		Article 19 <sup>1</sup> of the Law on Financial Accountability, Central Depository has to carry out annual external audit.	
<b>DERIVATIVES</b>					
13.	Whether derivative securities clear and settle on a different system through a specialised trading and/or clearing system?		✓	Derivatives are not traded on Vilnius Stock Exchange they can be traded off-exchange. .	30
14.	If the answer to the above question is "yes", whether the legislative framework addresses the treatment of derivatives risks?				30
<b>PROTECTION OF CUSTOMERS' SECURITIES</b>					
15.	Does the legal or regulatory framework provide any arrangements to protect customers' securities from theft, loss or misuse and to ensure that they will not become subject to claims of the custodian's creditors (e.g., segregation of assets insurance, compensation schemes)?	✓		Article 3 of the Law on Insurance of Deposits and Liabilities to Investors.  Article 7 of the Law on Completeness of Payments through Payment and Securities Settlement Systems.	12

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	CPSS / IOSCO Relevance
16.	Are the entities holding securities in custody subject to mandatory internal or external audit, or both, to determine if there are sufficient securities to satisfy customer claims?	✓		Article 19 <sup>1</sup> of the Law on Financial Accountability. Central Depository has to carry out annual external audit.	12

## Section H – Accounting and Auditing of Financial Reports

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>DISCLOSURE OF FINANCIAL RESULTS</b>					
1.	Whether issuers are required to publish financial and other information at regular intervals (i.e. annual and periodic financial reports, please specify)?	✓		Paragraph 4 of the Article 2.66 of the Civil Code of the Republic of Lithuania. The annual financial reports of companies have to be provided to the Register of Legal Entities annually within thirty days as of the moment, when a company approves them. The documents presented in the Registry of the Legal Entities are public and every interested person is entitled to acquaint oneself with such documents.	14
2.	If the answer to the above question is "yes",  (1) Whether the issuer or other persons (depending on the circumstances, they might be the underwriter, sponsor, advisor, etc.) is legally responsible for the contents of these reports?	✓		Article 28 of the Law on the Financial Accountability of Companies of the Republic of Lithuania. The head of the Company is responsible for drafting and for the submission of the financial reports.	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(2) Whether companies are required to file these reports with the regulator for review/approval?		✓	In general, companies are required to file the financial accountability reports only to Registry of the Legal Entities. However, certain categories of the Companies, e.g. financial brokerage firms, also must file such reports with the regulator.	
	(3) Whether the regulator has the power to take action for incomplete or misleading information in these reports?	✓		The Law on the Financial Accountability of Companies of the Republic of Lithuania.	
<b>EXTERNAL AUDITOR</b>					
3.	Whether the relevant law or regulation requires that annual financial statements published by issuers should be audited by external auditors?	✓		Article 19-1 of the Law on Financial Accountability of the Republic of Lithuania and Article 58 of the Law on Companies of the Republic of Lithuania.  The annual financial statements of all public limited liability companies must undergo audit by the audit company elected by the General Meeting of Shareholders. This requirement is also applied in respect of the annual financial statements of the private limited liability companies in case the company satisfies at least two of the following requirements: (i) net annual sales of more than LTL 10 million (approx. EUR 2 896 200); (ii) total assets indicated in the balance sheet of more than LTL 5 million (approx. EUR 1 448 100); (iii) an average number of employees exceeds 50 during the fiscal year.	16
4.	Does the regulatory framework require that an issuer's governance body independent in both fact and appearance of the management of the company (e.g., shareholders or a statutory or corporate audit oversight body) oversee		✓	However, according to the Lithuanian Securities Commission Resolution Concerning the Establishment of the	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	the process of selection and appointment of the external auditor?			Additional Requirements to Auditors and Audit Companies, the candidacy of the auditor or auditors company has to be coordinated with the Lithuanian Securities Commission before it will be elected by the General Meeting of the Shareholders of the company.	
5.	Whether the regulatory framework requires issuer to change the external auditor after a certain number of years (i.e., rotation)? If yes, please specify the rotation period	✓		According to the paragraph 5 of the Resolution Concerning the Establishment of the Additional Requirements to Auditors and Audit Companies, the external auditor has to be changed every 5 years. The external auditor of the financial brokerage company, management company and the company with the variable capital has to be changed every 3 years.	16
6.	Whether issuers are required to provide audited financial statements in public offering prospectuses?	✓		Commission Regulation (EC) No 809/2004	16
7.	Whether the required audited financial statements include the elements listed below:				16
	(1) a balance sheet or statement of financial position?	✓		Article 21 of the Law on Financial Accountability of Companies of the Republic of Lithuania.	
	(2) a statement of the results of operations?	✓		Article 21 of the Law on Financial Accountability of Companies of the Republic of Lithuania.	
	(3) a statement of cash flow?	✓		Article 21 of the Law on Financial Accountability of Companies of the Republic of Lithuania.	
	(4) a statement of changes in ownership equity or comparable information included elsewhere in the audited financial statement or footnotes?	✓		Article 21 of the Law on Financial Accountability of Companies of the Republic of Lithuania.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>ACCOUNTING STANDARDS</b>					
8.	Are financial statements required in public offering and publicly available annual reports required to be prepared and presented in accordance with a comprehensive body of accounting standards?	✓		Paragraph 4 of the Article 15 of the Law on Financial Accountability of Companies of the Republic of Lithuania provides that the financial statements of a company have to comply with the requirements of the accounting standards (International Accounting Standards and Business Accounting Standards, approved by the local authorities).	16
9.	If the answer to question above is “yes”, are these accounting standards of a high and internationally acceptable quality?	✓		According to paragraph 3 of the Article 3 of the Law on Accounting of the Republic of Lithuania, economic entities whose securities are traded on a regulated market shall handle accounting in accordance with the International Accounting Standards (as defined in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards). Par. 4 of the Article 3 of the same law foresee, that the Business Accounting Standards must be prepared in compliance with the EU law and the International Accounting Standards (as defined in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards).	16
10.	Whether an organisation responsible for the establishment and timely interpretation of accounting standards is set out by the relevant law or regulation? If "yes", please state the name of the body and its composition	✓		The Business Accounting Standards are approved the Council of the Accounting Institute of the Republic of Lithuania. The Accounting Institute of the Republic of	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				Lithuania was incorporated by Ministry of Finance of the Republic of Lithuania and other 13 unlimited liability legal entities on 28 February 2002, implementing the provisions of the Law on Accounting of the Republic of Lithuania. Institute has the following bodies: General Meeting, Standard Council (collective body), administration headed by the Director (management body).	
11.	If the answer to the above question is "yes", whether the standard setting body is subject to regulatory oversight? If "yes", please indicate who the supervisory authority is.	✓		According to paragraph 5.3 of the Regulations of the Ministry of Finance, the Ministry of Finance methodically supervises accounting.	16
12.	Whether the accounting standards used in preparing financial statements and financial reporting address the general topics listed below:				16
	(1) presentation of financial information?	✓		1 <sup>st</sup> Accounting Standard.	
	(2) consolidation of financial information?	✓		16 <sup>th</sup> Accounting Standard.	
	(3) business combinations?	✓		14 <sup>th</sup> Accounting Standard.	
	(4) tangible and intangible assets (including impairment of assets)?	✓		12 <sup>th</sup> and 13 <sup>th</sup> Accounting Standards.	
	(5) leases?	✓		20 <sup>th</sup> Accounting Standard.	
	(6) income taxes?	✓		3 <sup>rd</sup> Accounting Standard.	
	(7) employee benefits (e.g., pension, stock compensation, etc.)		✓		
	(8) provisions and contingencies?	✓		19 <sup>th</sup> Accounting Standard.	
	(9) financial instruments (including derivative financial instruments)?	✓		5 <sup>th</sup> Accounting Standard.	
(10) securitisation?	✓		18 <sup>th</sup> Accounting Standard.		

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
13.	Whether the accounting standards used in preparing financial statements and financial reporting address the following areas of particular interest to investors:				16
	(1) earnings per share?	✓		4 <sup>th</sup> and 5 <sup>th</sup> Accounting Standards.	
	(2) interim financial reporting?		✓		
	(3) information about business segments?	✓		Paragraph 5.11 and 10.21 of the 6 <sup>th</sup> Accounting Standard.	
	(4) related party transactions?	✓		Paragraph 10.27 of the 6 <sup>th</sup> Accounting Standard.	
	(5) leases?	✓		20 <sup>th</sup> Accounting Standard.	
<b>AUDITING STANDARDS</b>					
14.	Are audited financial statements included in public offering and publicly available annual reports, required to be audited in accordance with a comprehensive body of auditing standards?	✓		Paragraph 5 of the Article 27 of the Law on the Audit of the Republic of Lithuania.	16
15.	Are these auditing standards of a high and internationally acceptable quality?	✓		The Law on the Audit of the Republic of Lithuania.	16
16.	Does the regulatory framework provide for an organization responsible for the establishment and timely interpretation of auditing standards?	✓		According to the Law on Audit of the Republic of Lithuania, Lithuanian Chamber of Auditors is responsible for the establishment and timely interpretation of auditing standards.	16
17.	Do auditing standards expressly require the auditor to:				16
	(1) use due professional care in the performance of the audit?	✓		Paragraph 4 of the 1 <sup>st</sup> National Audit Standard.	
	(2) adequately plan and supervise the audit?	✓		4 <sup>th</sup> and 7 <sup>th</sup> National Audit Standards.	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	(3) obtain an understanding of the internal control system of the entity?	✓		Paragraph 2 of the 6 <sup>th</sup> National Audit Standard. 30 National Audit Standard.	
	(4) obtain sufficient evidence to determine whether the financial statements are free of material misstatements?	✓		8 <sup>th</sup> National Audit Standard.	
18.	Whether an auditor report is required to disclose:				16
	(1) any exceptions to the application of accounting principles used?	✓		13 <sup>th</sup> National Audit Standard.	
	(2) any material uncertainties in the financial statements?	✓		Paragraph 17 of the 13 <sup>th</sup> National Audit Standard.	
	(3) any going-concern issues?	✓		13 <sup>th</sup> National Audit Standard.	
19.	Whether the regulatory framework requires auditors to be independent from the issuer? If "yes", please define "independence"	✓		Paragraph 4 of the 1 <sup>st</sup> National Audit Standard. Code on Professional Ethics of Auditors, Article 2. Independence means the independence of the opinion and activity. The same requirements are applicable as it is described in the EU legislation on independence of the auditors.	16
20.	Whether auditors are required to be licensed or approved and to satisfy specific education criteria and other qualifications in order to practice?	✓		Article 5 of the Law on Audit of the Republic of Lithuania.	16
21.	Whether auditors are subject to continuing professional education requirements after they are licensed or approved to practice?	✓		Paragraph 4.7 of the Code on Professional Ethics of Auditors of the Republic of Lithuania. Article 30 of the Law on Audit of the Republic of Lithuania.	16
22.	Does the regulatory framework provide for a mechanism for enforcing compliance with accounting standards such as requiring restatements of	✓		Law on Financial Accountability of the Republic of Lithuania.	16

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
	financial statements that deviate from accepted standards?				

## Section I – Money Laundering

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
<b>SCOPE OF THE CRIMINAL OFFENCE OF MONEY LAUNDERING</b>					
1.	Whether there is legislation in place to address the issues of money laundering (ML)? If "yes", please identify the name of such legislation and when it was adopted <i>[if a special law exists, please include details of the law in Section I, above]</i>	✓		The Law on the Prevention of Money Laundering of the Republic of Lithuania, new version passed on 1 January 2004.	1
2.	Whether the following conventions have been signed and ratified (please specify in your comments):				
	(i) 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention)?	✓		Law on ratification of the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention)	1 and 35
	(ii) 2000 UN Convention against Transnational Organized Crime (the Palermo Convention)?	✓		Law on ratification of the 2000 UN Convention against Transnational Organized Crime (the Palermo Convention)	
(iii) 2003 UN Convention against Corruption?	✓		Law on ratification of the 2003 UN Convention against Corruption		
3.	Does the law provide for the confiscation of property (including funds and securities) that has been laundered or which constitutes (i) proceeds from; (ii) instrumentalities used in; and (iii) instrumentalities intended for use in the commission of any ML, financing of terrorism (FT) or other predicate offences, and property of corresponding value.	✓		Article 72 of the Criminal Code of the Republic of Lithuania.	3

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
<b>CUSTOMER DUE DILIGENCE AND RECORD-KEEPING</b>					
4.	Does the regulatory framework require that financial institutions obtain senior management approval before establishing business relationships with politically exposed persons?		✓		6
5.	Does the regulatory framework require financial institutions to maintain all necessary records on transactions, both domestic and international, for at least five years following completion of the transaction regardless of whether the account or business relationship is ongoing or has been terminated?	✓		<p>Articles 12 and 13 of the Law on the Prevention of Money Laundering of the Republic of Lithuania.</p> <p>Financial institutions must keep a register of the following financial operations and suspicious transactions conducted by the customer:</p> <p>(a) the financial operation where a single monetary operation or several related operations conducted by the customer involve a sum in excess of LTL 50,000 (EUR 14,492) or its equivalent in foreign currency;</p> <p>(b) a single exchange of one currency into another if the sum of the money exchanged is in excess of LTL 20,000 (EUR 5,797) or its equivalent in foreign currency.</p> <p>Copies of documents confirming identity must be kept for at least ten years from the end of the relationship with the customer. Documents attesting a financial operation or transaction or other legally valid documents relating to financial operations or transactions entered into must be kept for at least ten years from the date of executing a financial operation or concluding a transaction</p>	10

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
6.	Are financial institutions required to undertake customer due diligence measures including identifying and verifying the identity of their customers?	✓		Article 10 of the Law on the Prevention of Money Laundering of the Republic of Lithuania.  Financial institutions are required to establish the identity of the customer prior to opening bank accounts, accepting deposits, entering into transactions with the customer. Financial institutions must establish the identity of the customer if the monetary transactions in which the customer is engaged involve an amount in excess of LTL 50,000 (approx. EUR 14,481) or its equivalent in foreign currency.	5
7.	Does the regulatory framework prohibit from opening/maintaining (i) anonymous accounts, (ii) accounts in fictitious names, (iii) numbered accounts and (iv) non registered (i.e., bearer) securities?	✓		Articles 10 and 11 of the Law on Prevention of Money Laundering of the Republic of Lithuania.	5
<b>REPORTING OF SUSPICIOUS TRANSACTIONS AND COMPLIANCE</b>					
8.	Does the regulatory framework require financial institutions to report to the relevant authority suspicious transactions (i.e., when it suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity or terrorism financing), regardless of the amount of the transaction?	✓		Paragraph 1 of the Article 9 of the Law on the Prevention of Money Laundering of the Republic of Lithuania.  Financial institutions and other entities, except for lawyers and lawyers' assistants, upon establishing that a customer is performing a suspicious monetary operation, must suspend the operation and report, within three hours, about it to the Financial Crime Investigation Service, irrespective of the amount involved in the operation.	13
9.	Does the regulatory framework require market intermediaries to have in place policies and procedures designed to minimise the risk of using an	✓		Article 15 of the Law on the Prevention of Money Laundering of the Republic of Lithuania requires the financial institutions	8

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	FATF Relevance
	intermediary's business as a vehicle for money laundering?			to establish relevant procedures preventing money laundering.	
<b>INTERNATIONAL COOPERATION</b>					
10.	Does the regulatory framework allow the relevant authority to cooperate with foreign authorities for AML purposes (e.g., search and seizure of information, taking of evidence or statements from persons, providing originals or copies of relevant documents and records)?	✓		The Law on the Prevention of Money Laundering of the Republic of Lithuania	36-38

## Section J –Financial Instruments

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>VARIETY OF FINANCIAL INSTRUMENTS TRADED</b>					
1.	Does the regulatory framework provide for a definition of financial instruments/securities or similar? <i>[Please provide the definition in your answer]</i>	✓		According to paragraph 4 of the Article 3 of the Law on the Market of the Financial Instruments Financial instrument means any of the following instruments:  1) transferable securities; 2) money market instruments; 3) securities of collective investment undertakings; 4) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event); 6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF; 7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in item 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls. The definition of the financial instruments under this item is provided for in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006;</p> <p>8) Derivative instruments for the transfer of credit risk;</p> <p>9) Financial contracts for differences;</p> <p>10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic</p>	

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls. The definition of the financial instruments under this item is provided for in the Commission Regulation (EC) No. 1287/2006 of 10 August 2006.	
2.	Does the regulatory framework provide comprehensive regulation for listing and trading of:				25
	(i) commercial bonds		✓		
	(ii) government bonds		✓		
	(iii) municipal bonds		✓		
	(iv) derivatives		✓		
3.	Whether there is a specific regulation applicable to the issuance of financial instruments to the benefit of employees as an employee share purchase plan?	✓		Article 43 of the Law on Companies of the Republic of Lithuania.	14, 25

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
<b>DERIVATIVES</b>					
4.	Does the regulatory framework clearly provide that derivative contracts are enforceable without exceptions? <sup>29</sup>		✓		14, 25
5.	If a market for derivatives exists, does the regulatory framework require disclosure of the terms of the contracts traded, the mechanisms of trading and the risks?	✓		Law on Market of the Financial Instruments of the Republic of Lithuania.	14
<b>CROSS-BORDER ISSUANCE</b>					
6.	Does the regulatory framework provide for any limits/restrictions to the issuance and the selling of financial instruments by a foreign issuer in your market? <i>Please describe</i>	✓		Law on Securities and Law on Market of the Financial Instruments of the Republic of Lithuania.  Securities issued by an issuer whose home EU Member State is other than the Republic of Lithuania may be offered to the public or admitted to trading on a regulated market in Lithuania only after the competent authority of the home EU Member State provides Lithuanian Securities Commission with a copy of the prospectus and the certificate of approval attesting that the prospectus has been drawn up in accordance with the requirements of the legal acts of the home Member State. The Securities Commission shall have a right to approve the prospectus concerning the offer of securities to the public or the admission to trading on a regulated market of securities of the issuer	14-16

<sup>29</sup> In some jurisdictions, the enforceability of derivatives is limited due to a concurring provision addressing unenforceability of gaming bets. In some other countries enforceability of derivatives is limited only to licensed financial institutions.

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				whose registered office is in a non-EU Member State, where the prospectus has been prepared in accordance with the requirements of the legal acts of the issuer's home State, provided that:  1) the prospectus has been drawn up in accordance with the international standards approved by the international securities commissions organisations, including the Disclosure standards approved by IOSCO.  2) requirements stipulated in respect of the presented information (including the information of financial nature) correspond with the requirements defined in Lithuanian law.	
7.	Does the regulatory framework provide for any limits/restrictions to the issuance and the selling of financial instruments by a national issuer in a foreign market? <i>Please describe</i>		✓		14-16
<b>SPONSOR/UNDERWRITER</b>					
8.	In the case of Initial Public Offering, whether the issuer is required to have a sponsor or an underwriter?		✓		14
<b>CONCENTRATION RULE</b>					
9.	Does your regulatory framework require that all relevant transactions be conducted on a stock exchange?		✓		14
<b>PRIVATE PLACEMENT</b>					
10.	Whether there is a specific regulation for private placement of financial instruments? Please define private placement.	✓		According to the paragraph 4 of the Article 15 of the Law on Companies of the Republic of Lithuania the shareholders have	14

#	Issue	Yes (✓)	No (✓)	Relevant provision number/citation of law/regulation; Remarks/Other Comments	IOSCO Relevance
				<p>the priority right to acquire the newly issued shares of the company.</p> <p>The Rules on Registration of Securities establish less strict requirements for registration of securities for private placement.</p>	

This Assessment does not constitute legal advice. Readers are advised to seek appropriate legal advice before entering into any transaction, making any determination or taking any action related to matters discussed herein.

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