

Vilnius, 25 May 2022



LIETUVOS BANKAS
EUROSISTEMA

Financial Market Development Center

Developing fintech sector in Lithuania: Regulatory sandbox

Evelina Kvedaravičiūtė

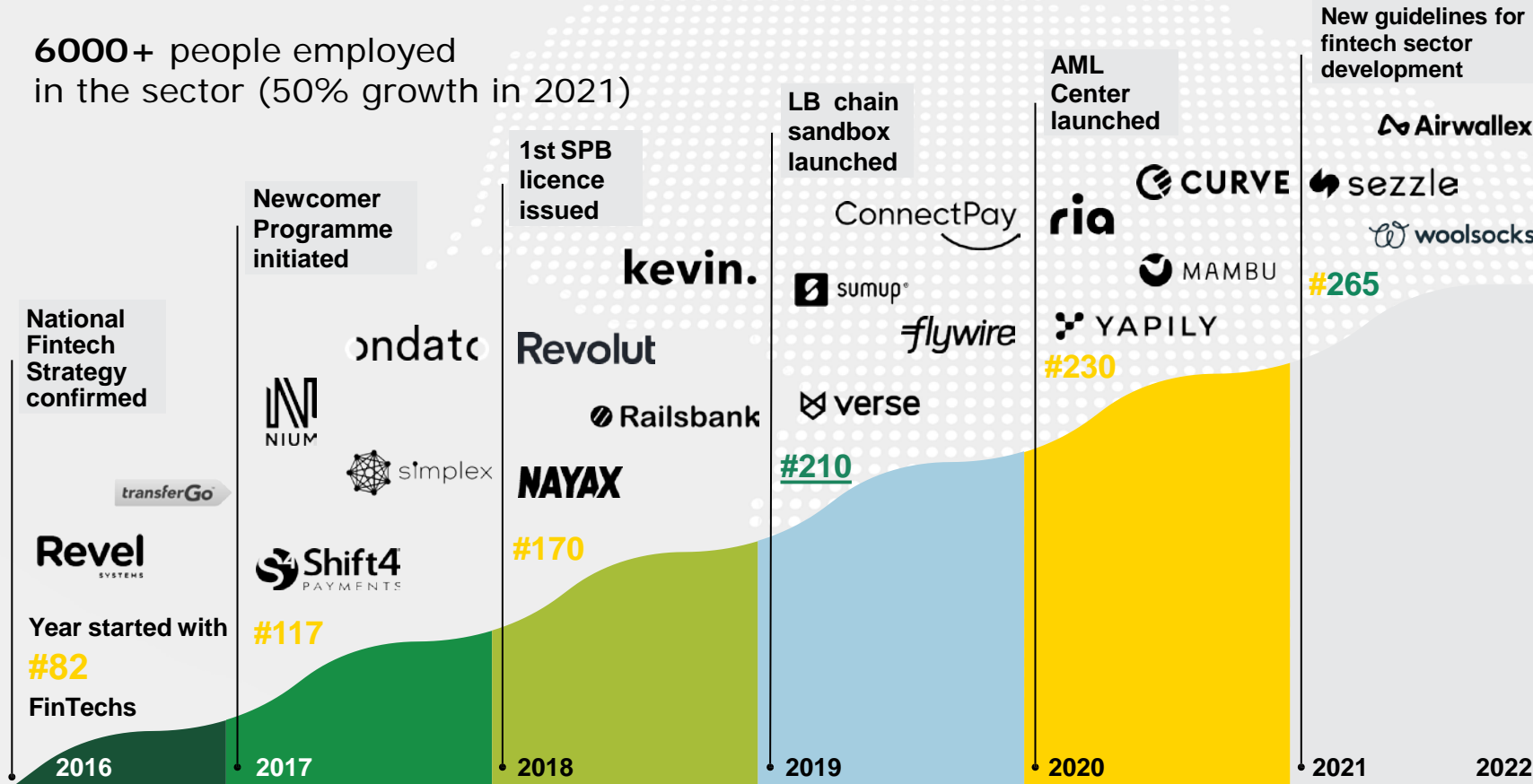
Project Manager for Financial Market
Development | Bank of Lithuania



The growth of Lithuania's fintech hub



6000+ people employed
in the sector (50% growth in 2021)



Source: Invest Lithuania, 2021

Source <https://investlithuania.com/report/fintech-report-2021-2022/>

Lithuania: the Largest Fintech Hub in the EU 2021



9th

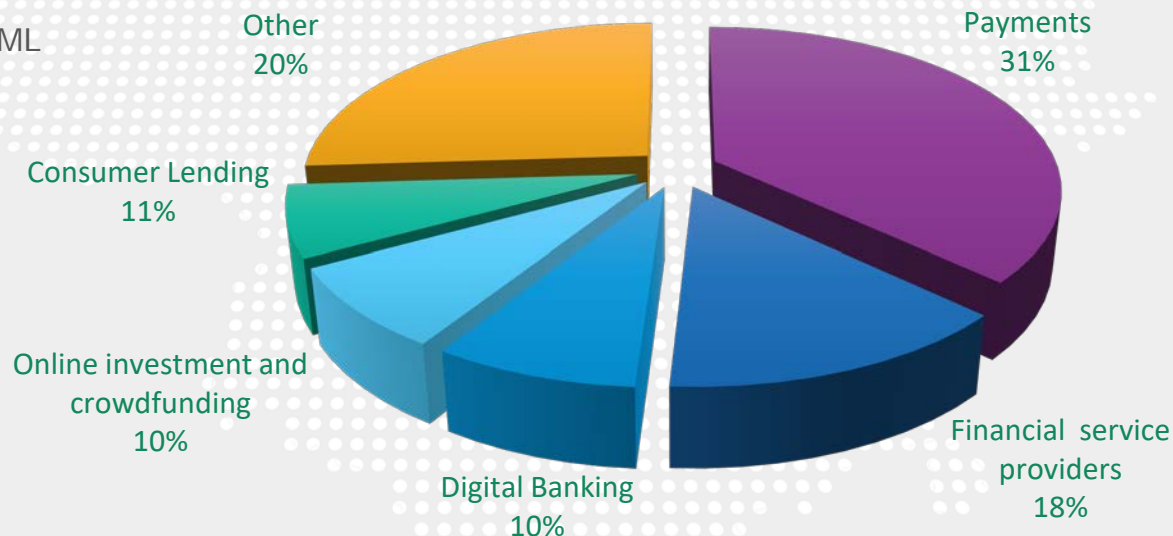
Globally amongst lowest risk jurisdictions according to the Basel AML Index

1st

Fintech Hub in the EU in terms of licenses issued

10th

in Global Fintech Ranking

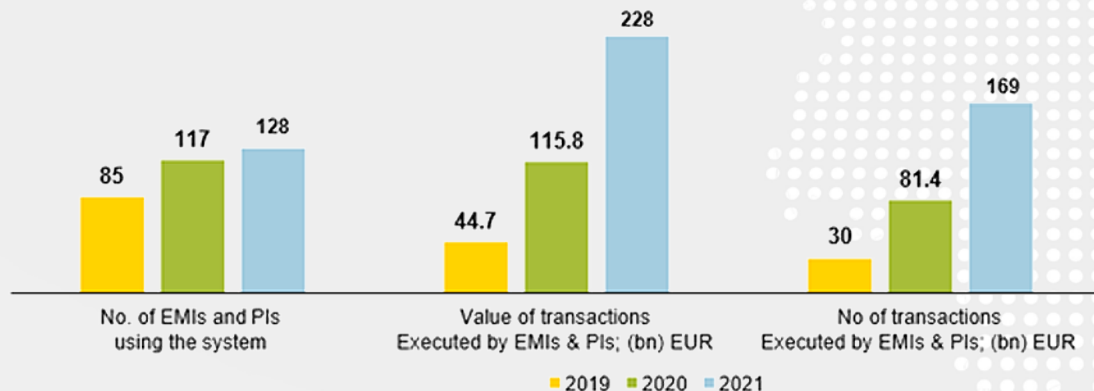


Payments infrastructure



The Bank of Lithuania provides technical access **for all payment service providers**, enabling them to send and receive SEPA payments. **For banks and fintechs licensed in the European Economic Area (EEA).**

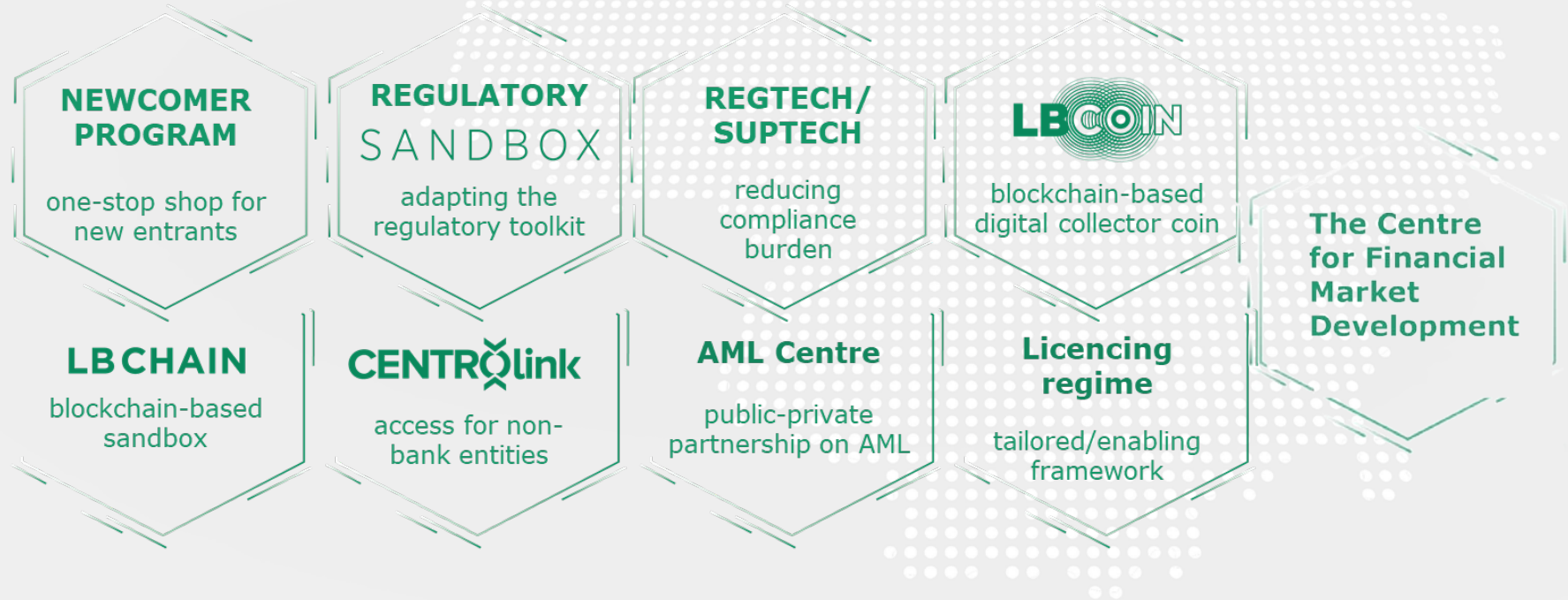
CENTROlink in numbers¹



Source 1: Invest Lithuania Fintech Landscape Report, 2021-2022



Toolkit to foster innovations and market development





Newcomer Programme: main entry point for market participants

One-stop-shop

- Consulting new market players on legal/regulatory matters
- Assessing feasibility of various business models
- Under the umbrella of the Centre for Financial Market Development

More
than:

650 participants

70 countries

32% of participants proceed to
licensing

17% recieved licences



What is a regulatory sandbox?

- **Regulatory sandbox: testing grounds for new business models** when regulations are unclear or not yet implemented.

- **The United Kingdom** was the first country to introduce the regulatory sandbox to its fintech industry in 2015.

- The Regulatory Sandbox was established in 2018 in Lithuania, and it is open for applications at any point throughout the year.



Why is regulatory sandbox important?

It helps to:

- Check if a business model is attractive to consumers.

- Reduce time to market at a potentially lower cost.

- Identify consumer protection safeguards that can be built into new products and services.



Eligibility criteria at the Bank of Lithuania



The participants of the regulatory sandbox is selected according to the following criteria:

- Genuine innovation

- Consumer benefit

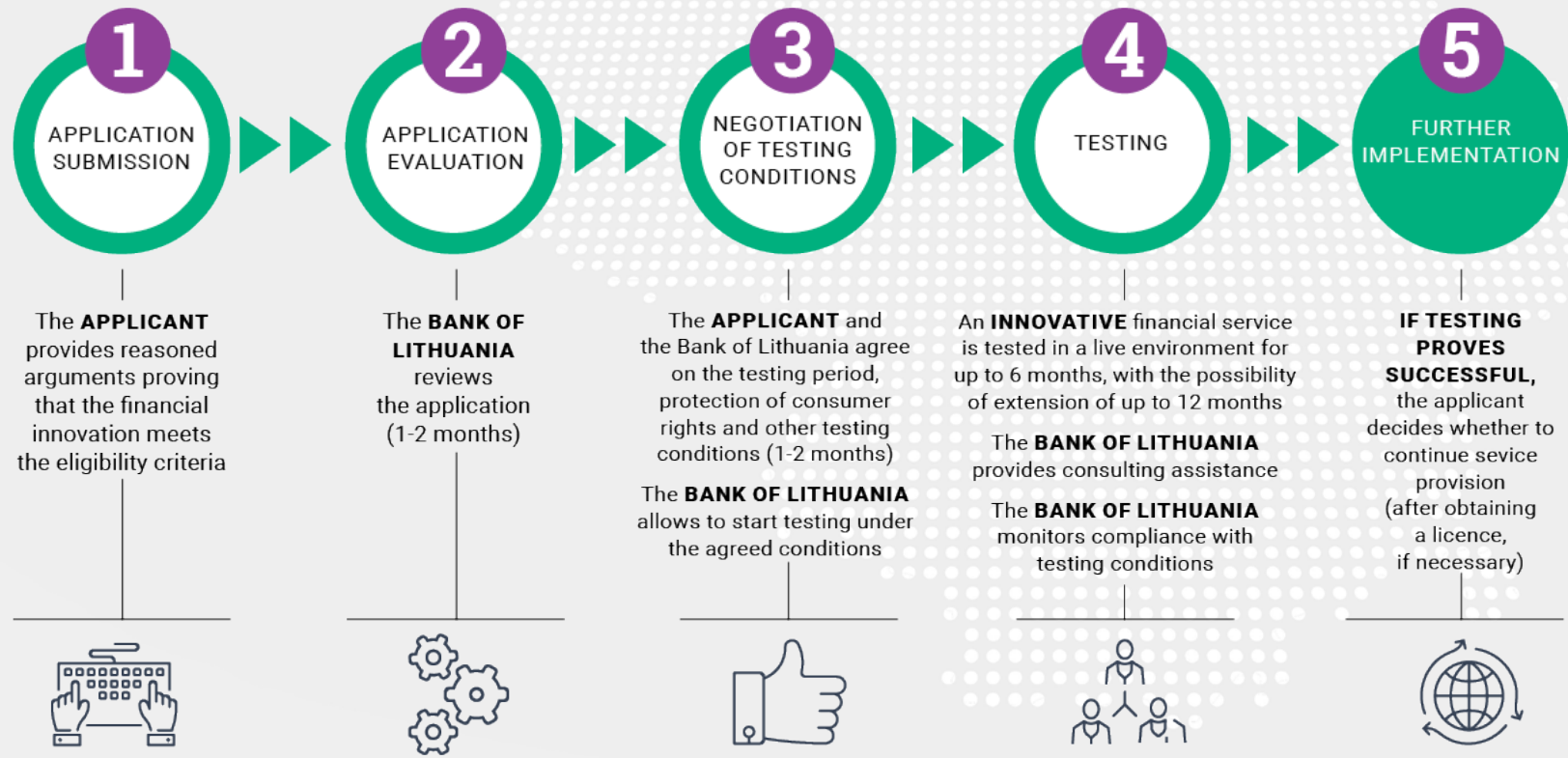
- Need for testing in a live environment

- Readiness for testing

- Ambition to provide financial services in Lithuania



Steps to apply for testing and testing





Tools used in the Regulatory Sandbox

- Active **consultation** of financial market participants;

- Active application of the principle of **proportionality** when interpreting and applying legal acts regulating the financial market;

- No enforcement measures unless necessary.



A peer-to-peer (P2P) insurance platform has been tested.

- **P2P insurance guidelines have been established** after the P2P insurance platform was tested within the Bank of Lithuania's regulatory sandbox. This could open up new opportunities in the financial services market. The guidelines on P2P insurance activity which set out good practice principles to be followed by P2P insurance providers.

Relevant to:
fintechs, startups,
IT enthusiasts, small/medium IT
companies

Technological/regulatory
sandbox

Platform provider
IT support

LBChain

BoL regulatory support

Fintech & BoL use cases

BoL tests users and data

Accelerate the **development** and **application** of blockchain-based solutions

Improve the **quality of regulation** in the financial sector



Global Financial Innovation Network (GFIN)

cross-border testing- member of GFIN

Coordinating group.



- Tool to develop a template for sustainability reports which could be used globally was tested in 2021.
-
- Participants: the United Arab Emirates, Bahrain, Abu Dhabi (United Arab Emirates), Nur-Sultan (Kazakhstan) and Bermuda.



GFIN
GLOBAL FINANCIAL INNOVATION NETWORK

70 members in the Network (regtech, collaboration, cross border testing)



EU Digital Platform



- 2021: EU Cross-border testing Framework
- 2022: the EU Digital Platform
- Next step: Data Hub



<https://digital-finance-platform.ec.europa.eu/>

Request types



Case 1 - Multi sandbox testing



Case 2 - Observing sandbox testing



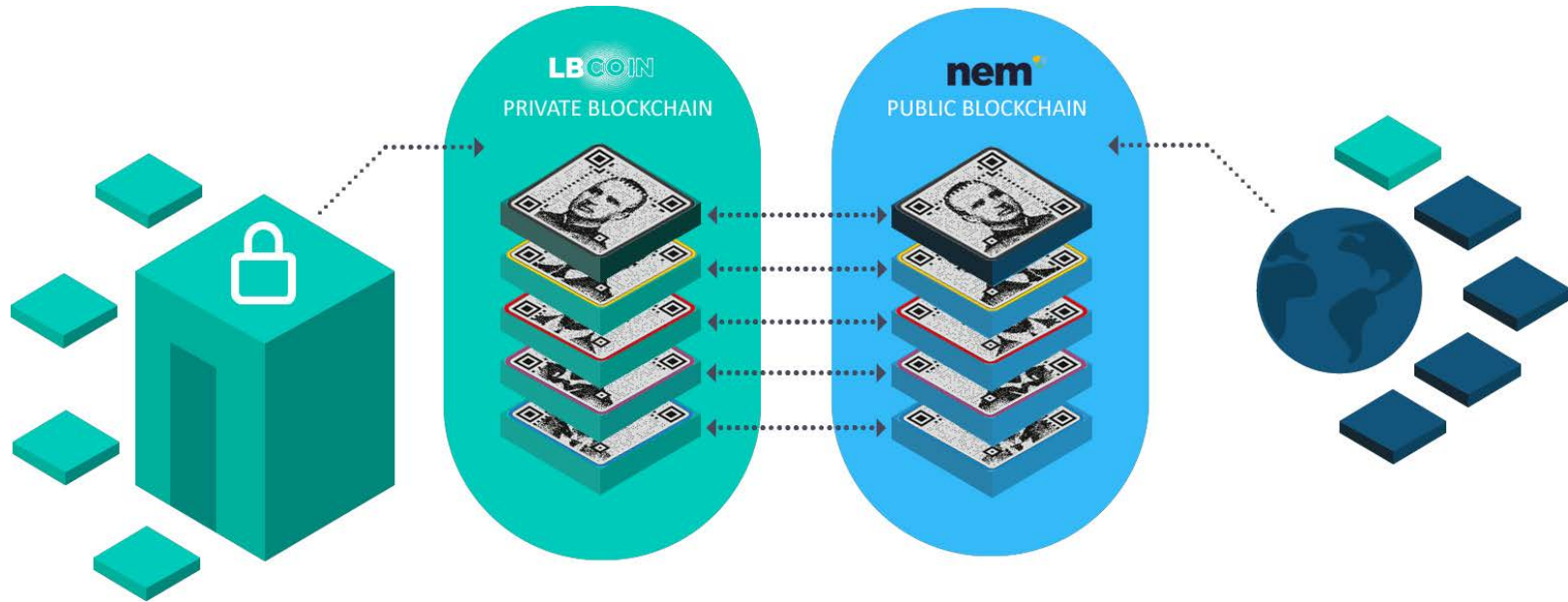
Case 3 - Sharing of test findings

<https://digital-finance-platform.ec.europa.eu/efif/cross-border-testing>

LBCOIN: field experiment for CBDC



Underlying technology: the **hybrid blockchain**





Developments in innovations



- | | |
|------|--|
| 2018 | <ul style="list-style-type: none">○ Regulatory Sandbox |
| 2019 | <ul style="list-style-type: none">○ Joined GFIN Cross-border testing |
| 2020 | <ul style="list-style-type: none">○ P2P Insurance platform tested in the sandbox○ LB Coin – first digital collector coin |
| 2021 | <ul style="list-style-type: none">○ First cross-border testing○ GFIN Coordinating group member○ Issued guidelines on the P2P insurance activities |
| 2022 | <ul style="list-style-type: none">○ EU cross-border sandbox platform○ Further Digital Assets (Point of sales) experiments○ Data Maturity programme |





LIETUVOS BANKAS
EUROSISTEMA

Thank you!

It's time for questions

More: <https://www.lb.lt/en/regulatory-sandbox>

Email: Sandbox@lb.lt



What's next? Digitalisation center/IT

- To coordinate digitalisation activities across the organization, the Board of the Bank of Lithuania is planning to establish the Centre for Digitalisation

- Objective of the Centre for Digitalisation: to coordinate the **digitalisation of ineffective** Bank of Lithuania's processes as well as to **ensure that principles of digitalisation** are embedded in each of the Bank's activities

- 4 digitalisation principles:
 - Digital by design
 - Only once
 - User centric
 - Co-creation