



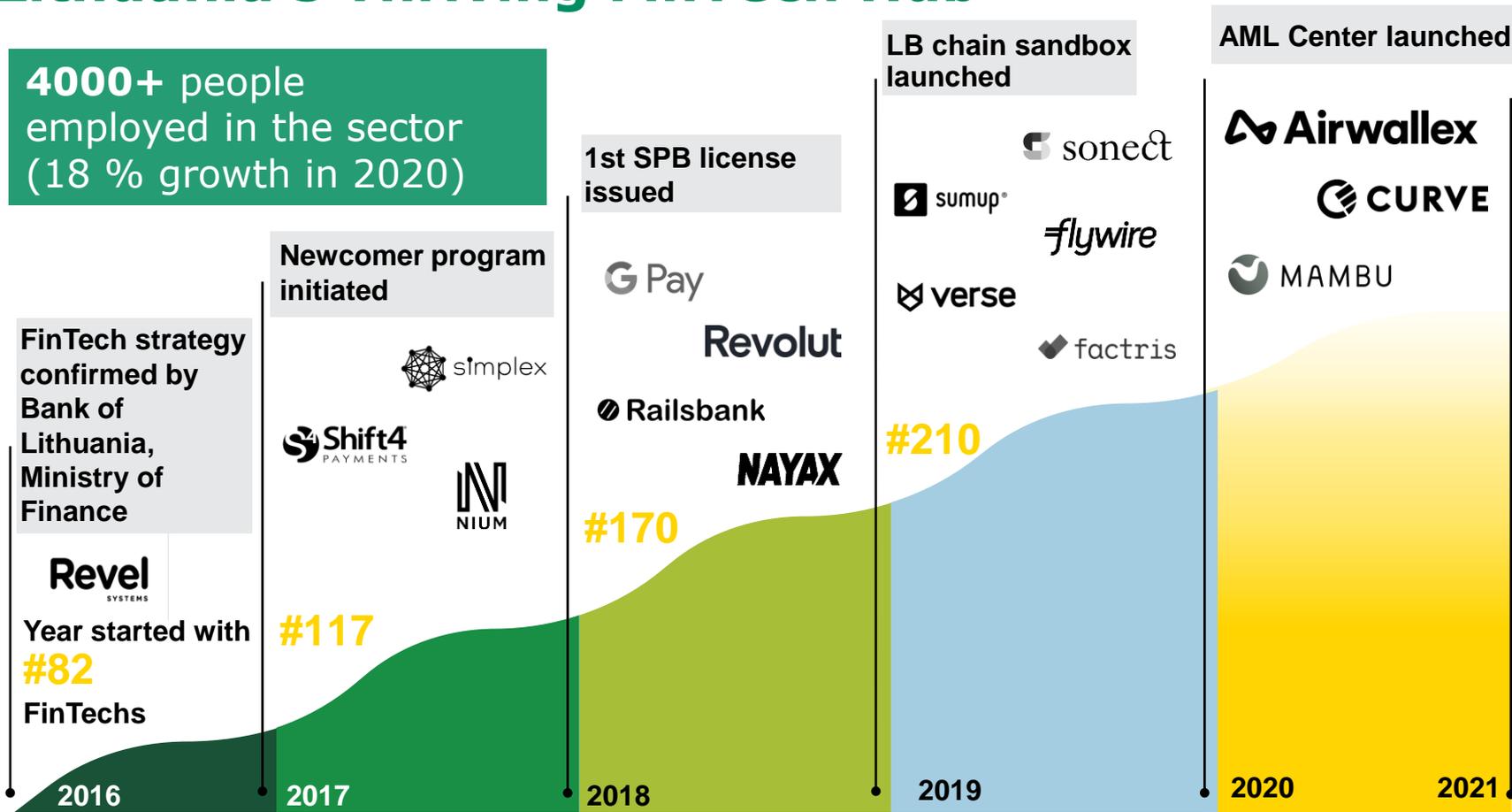
LIETUVOS BANKAS
EUROSISTEMA

Overview of the Regulatory and technological sandboxes at the Bank of Lithuania

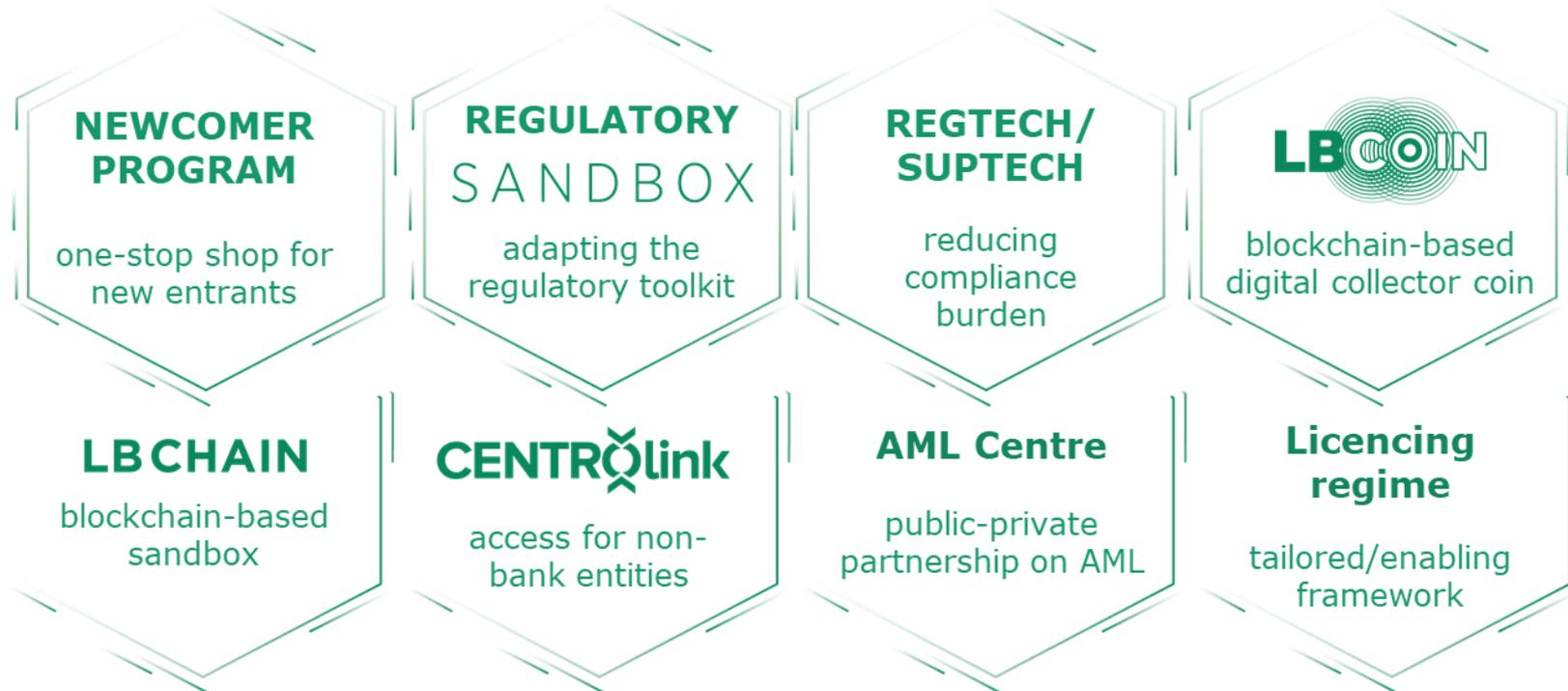
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Bank of Lithuania
3 November 2021

Lithuania's Thriving FinTech Hub

4000+ people employed in the sector (18 % growth in 2020)

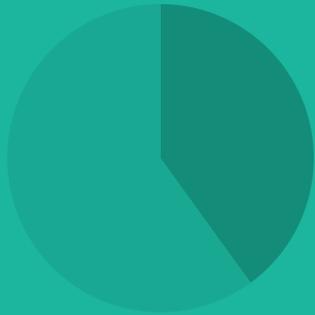


The toolkit to foster innovations





Regulatory sandbox



Regulatory sandbox

- **Serve to eāSE the implementation** of financial innovation in Lithuania’s financial market, especially when regulation of any activity that relies on financial innovation is insufficient or unclear.
- **Intended to help the Bank of Lithuania understand** in advance the possible effects of financial innovation on consumers and the financial system, identify emerging risks, determine possible shortcomings regarding regulation of the financial market, eliminate or reduce such regulatory shortcomings and any possible negative effects of financial innovation.



Eligibility criteria

- **Genuine innovation** - it is new to Lithuania's financial market;
- **Consumer benefit** - if implemented, it would bring more convenient, safer and cheaper financial services or other identifiable benefits to consumers;
- **Need for testing in a live environment** - the necessity to test financial innovations in a controlled environment is objectively justified, while testing itself can contribute to the implementation of the said innovation;
- **Readiness for testing** - it is ready to be tested in a live environment: the financial market participant has carried out an assessment of its adaptability, allocated sufficient resources, carried out a risk analysis and understands any other testing conditions;
- **Ambition to provide financial services in Lithuania** - it will be further developed in Lithuania.

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.

- Peer-to-peer (P2P) insurance guidelines have been established** after the Peer-to-peer insurance platform was tested within the Bank of Lithuania's regulatory sandbox. This could open 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.

LBChain: sandbox for consultation and technological support

The world's **first blockchain-based platform-service** developed by a financial market regulator (Bank of Lithuania).

The platform allows financial and fintech companies, including Lithuanian-based and international start-ups, to kick-start and turn their ideas into competitive new products and business models using a distributed ledger technology (blockchain).



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 tested 2021.
- Participants: the United Arab Emirates, Bahrain, Abu Dhabi (United Arab Emirates), Astana (Kazakhstan) and Bermuda.



GFIN
 GLOBAL FINANCIAL INNOVATION NETWORK

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

Results for cross-border testing

- **PoC model** created to collect and analyse sustainability-related data.
- **Explored dictionary of concepts** and classifications usable for sustainability reporting.
- Explored how sustainability data frameworks could be managed according to disclosure requirements **(in insurance, banking, investment management)**.

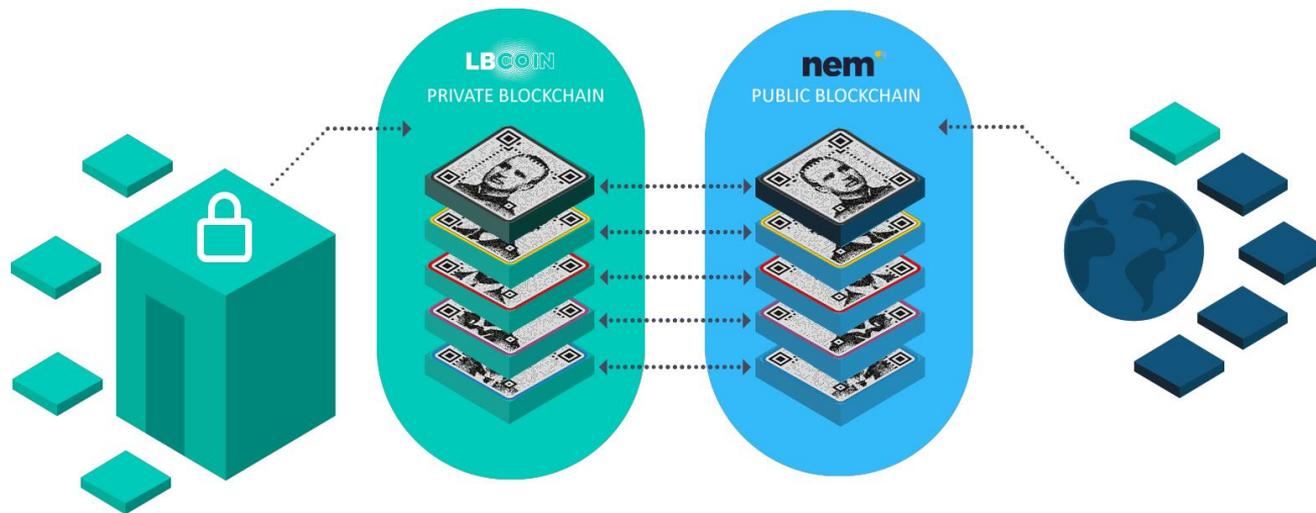
Lessons learned:

- ***Wide topic can be challenging.***
- Best methods: workshops, video, 1:1 consultations.
- Benefits to the sandbox participant: knowledge sharing between few jurisdictions and the firm.

LBCOIN: field experiment for CBDC



- Underlying technology: the **hybrid blockchain**

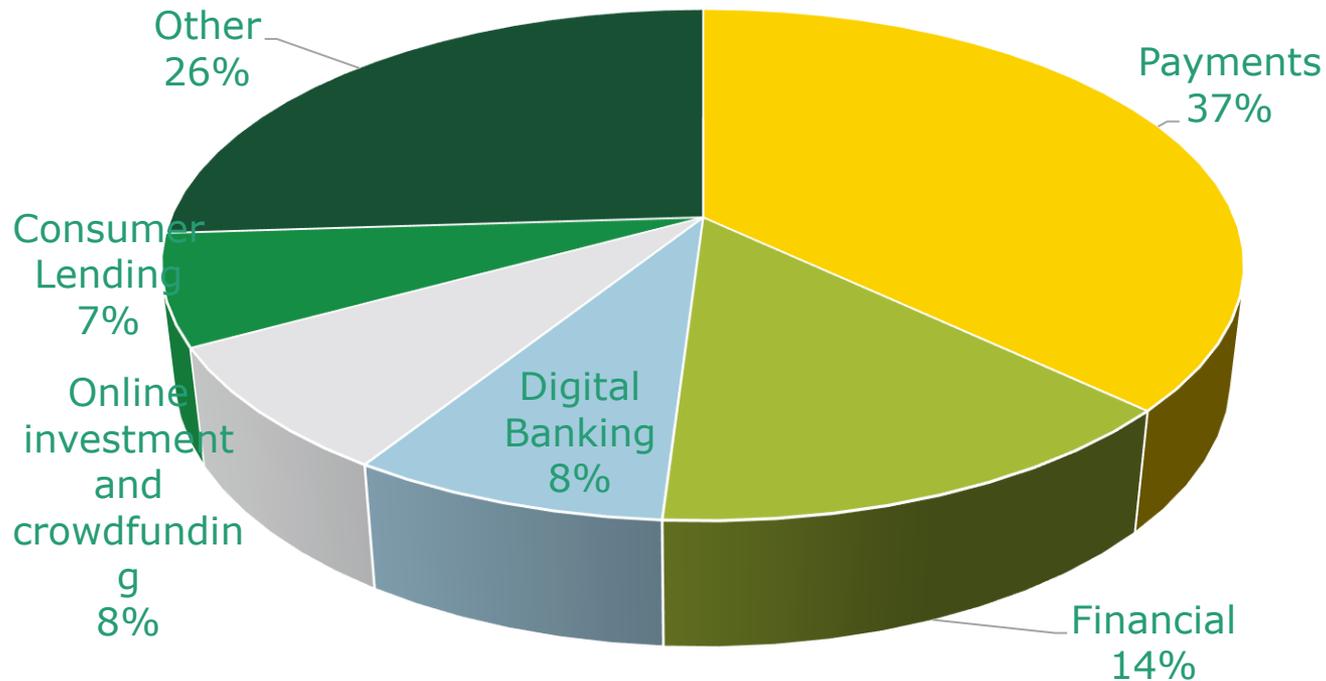


Experience of
the LBCOIN
is used
for the Digital
euro project



Lithuania: the Largest Fintech Hub in the EU

What's next?



Developing value proposition for Wealthtech and Insurtech sectors

What's next?

- The Bank of Lithuania was admitted to **the Coordination Group of the GFIN.**
- **The cross-border initiative** is the main area at the GFIN.
- EU Digital platform for sandboxes. EU wide cross-border Sandbox initiative.





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Thank you!

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More news:

- **<https://www.lb.lt/en/news/peer-to-peer-insurance-guidelines-by-the-bank-of-lithuania-a-sustainable-way-of-market-entry-for-innovations>**
- **<https://www.lb.lt/en/news/the-bank-of-lithuania-will-contribute-to-the-development-and-strategy-of-the-global-financial-innovation-network-gfin>**