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BANKING AND FINANCE LAW

GOVERNMENT PROPOSES TO TEMPORARILY INCREASE THE INSURANCE AMOUNT OF DEPOSITS TO THE AMOUNT IN LITAS CORRESPONDING TO EUR 100,000

On 8 October 2008, the Government of the Republic of Lithuania approved a draft law amending Articles 5 and 9 of the Law on Insurance of Deposits and Liabilities to Investors of the Republic of Lithuania (hereinafter, the "Law") submitted by the Ministry of Finance (hereinafter – the "Draft Law") and tabled it to the Seimas asking the Seimas to consider this Draft Law under the procedure of exclusive urgency. The Draft Law proposes to temporarily increase the insurance amount of deposits to the amount in Litas corresponding to EUR 100,000.

As of 1 January 2008, the amounts of insurance payments applicable to depositors or investors are 100 per cent of the deposit or liabilities to investors of the amount in Litas corresponding to EUR 3,000 and 90 per cent of the deposit or liabilities to investors of the amount in Litas corresponding to the amount from EUR 3,000 to EUR 22,000. In the light of the financial crisis in the USA and its possible consequences, in order to strengthen confidence in Lithuania's financial sector and in compliance with the agreements of the Council of Ministers on Economy and Finance of the European Union, the Draft Law proposes to provide for a higher level of protection of the insured deposits – if the Seimas approved the Draft Law, between 1 November 2008 and 31 October 2009, the amount of insurance payment would be 100% of the deposit for the amount in Litas corresponding to EUR 100,000.

GOVERNMENT APPROVED CRITERIA OF HIGH AND LOW THREAT FOR THE PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

On 24 September 2008, the Government approved a new version of the Resolution drafted in accordance with the European Union Directive establishing the criteria defining low and high threats in respect of money laundering and the financing of terrorism. The Resolution sets the rules for the establishment of the identity of individuals and companies conducting such monetary transactions that pose a threat as well as the rules for the identification of several monetary transactions that are interrelated. The Resolution also regulates the procedure for submitting information to the Financial Crime Investigation Service.

The Resolution sets the criteria on the basis of which a threat of money laundering or terrorist financing is identified as high – namely, if during the establishment of identity the person avoids providing information about himself/itself or providing the requested documents as well as if a company is registered in a target territory or a preferential zone. The criteria also include signs uncharacteristic of the client's activity – settlement in cash or too low income of the client for the activities of such scope. A criterion posing threat is also the person's inclusion into the lists of suspicious persons of foreign countries' institutions and international organizations or if the person conducts activities in countries where prevention measures of money laundering and terrorist financing are not sufficiently ensured.

Low-threat criteria apply to natural or legal persons residing or conducting their activities in the European Union if they comply with certain requirements. Supplementary low-threat criteria apply to public institutions – namely, they must conduct their activities according to the legislative acts of the European Community and be accountable to public authorities of a European Union member state, their activities and financial accounting must be transparent and clearly understandable and information about them must be publicly available. A separate sub-set of the criteria apply to natural and legal persons conducting rare or limited financial activities. Such company or person is ascribed to a low-threat group, if they declare that monetary transactions are not their main activity and that their annual turnover of financial activities does not exceed EUR 30,000. The Resolution sets the rules for the identification of several interrelated monetary transactions and also for the distinction between the natural and legal persons subject to a simplified procedure for the establishment of identity and those subject to a tightened procedure. Several interrelated monetary transactions will be considered cash transactions exceeding EUR 15,000 or a corresponding amount in foreign currency in one business day. The procedure for identification of companies or individuals who comply with low-threat criteria is simpler. The identity of those belonging to a high-risk group is established following a tightened procedure.

BANK OF LITHUANIA AMENDED THE MECHANISM FOR CALCULATION OF THE INTEREST RATE OF LOANS GRANTED TO BANKS

By the Resolution of 8 October 2008 No. 157, the Board of the Bank of Lithuania amended the Resolution of 28 October 1999 No. 166 "On the Establishment of the Interest Rate of Loans that are Granted to Commercial Banks" and established that the Bank of Lithuania on every business day sets the interest rate for loans granted according to the Rules for Granting Loans to Commercial Banks, which as of the effective date of the Resolution will be equal to the interest rate for the use of the marginal lending facility applied by the European Central Bank on that day increased by 1 percentage point.

The Resolution will enter into force on the next day following its publication in the official gazette *Valstybės Žinios*.

SECURITIES COMMISSION OF THE REPUBLIC OF LITHUANIA APPROVED GUIDELINES FOR COMPANIES PROVIDING INVESTMENT AND SUPPLEMENTARY SERVICES ON INCENTIVE MEASURES AND ON DUTIES OF COMPANIES PROVIDING INVESTMENT SERVICES OR CONDUCTING INVESTMENT ACTIVITIES

On 2 October 2008, taking into account the fact that the laws and regulations regulating the markets in financial instruments provide for the rate of commission and any other fee that can be accepted by companies providing investment services, the Securities Commission (hereinafter, the "SC") prepared "The Guidelines for Companies Providing Investment and/or Supplementary Services on Incentive Measures (Payments) and Duties of the Company Related Thereto" and "The Duties of Companies Providing Investment Services or Conducting Investment Activities to Perform the Client's Assignments under the Best Conditions for the Client" (hereinafter, the "Guidelines"). The Guidelines have been drafted implementing the 21 April 2004 Directive of the European Parliament and the Council No. 2004/39/EC on the Markets in Financial Instruments (MiFID), the 10 August 2006 Directive of the European Commission No. 2006/73/EC (MiFID level II), the May 2007 Recommendation of the CESR (The Committee of European Securities Regulators) on incentive measures according to MiFID (CESR/07-228b) and the May 2007 Guidelines by the CESR establishing the duty to perform the client's assignments under the best conditions to the client (CESR/07-320), the Law of the Republic of Lithuania on the Markets in Financial Instruments and the Rules on Provision of Investment Services and Acceptance and Execution of Clients' Assignments.

The Guidelines seek to help the companies providing investment and supplementary services to clients to ascertain that any type of fee, commission or non-monetary benefit received or paid by them for such activities is allowable pursuant to the conditions set by the legislative acts; the Guidelines also list cases when any type of fee, commission or non-monetary benefit received or provided by the company supplying investment services is prohibited. The Guidelines should ensure that the client is provided services to his best interest and that the obligations to the client are performed in a fair and honest manner to his best interest.

TAXES

GOVERNMENT APPROVED A NEW PROCEDURE FOR ESTABLISHMENT OF LAND VALUE – THE LAND TAX WILL BE PAID FROM THE VALUE OF A LAND PLOT

On 3 September 2008, the Government of the Republic of Lithuania approved draft Resolutions amending the Resolutions of the Government of the Republic of Lithuania drawn up by the Ministry of Agriculture providing for the methods of establishing the value of the plots of state land that is sold or leased.

So far, the effective Resolution of the Government of the Republic of Lithuania was the 24 February 1999 Resolution No. 205 “On the Procedure for Land Assessment” which was followed when state land was sold not by way of an auction. According to Resolution No. 205, not in all cases the price of a land plot was established by performing an individual assessment of assets.

Upon approval of the said proposals, a Resolution of the Government of the Republic of Lithuania, amending Resolution Nr. 205 dated 24 February 1999 and certain other related Resolutions of the Government of the Republic of Lithuania, was adopted whereby the procedure for establishment of the land value was amended; therefore as of 2009, the tax on the lease of state land that is leased without an auction will be calculated by way of mass assessment according to the average market value of land established in the maps of land values.

Currently, the tax on the lease of state land is calculated on the basis of the indexed nominal value of land that is calculated according to the methodology for land assessment approved by the Government which does not ensure that land will be given an assessment based on the market value. The average market value of land established in 2007 by way of mass assessment is, on average, 5 times higher than the indexed nominal value of land.

The payment of the tax on the lease of land on the basis of the market value of land will encourage a more efficient use of land, will create conditions for persons to make a neutral decision while choosing the method of land use (whether to buy land or take it on lease) and, last but not least, will encourage the independence of municipalities as well as investment into less developed territories. At the same time, this provides a possibility for municipalities to increase the revenue of the budget.

AS OF 1 SEPTEMBER, 2008 FINANCIAL STATEMENTS TO BE SUBMITTED ONLY TO PUBLIC ENTERPRISE THE CENTRE OF REGISTERS

To implement the “one-stop” principle, public enterprise the Centre of Registers concluded an agreement with the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter, the “STI”) whereby as of 1 September 2008 legal persons who submitted financial statements to public enterprise the Centre of Registers will no longer need to re-submit them to the State Tax Inspectorate of counties. Such a procedure entered into force following an agreement signed by the institutions whereby public enterprise the Centre of Registers will submit the data of the financial statements, online, to the STI.

The new procedure will apply when submitting annual financial statements for the tax periods that started in 2007 and later. The procedure for those legal persons, who submit financial statements only to the STI, remains the same. The tax administrator will have the right to ask for supplementary information from legal persons necessary for tax administration purposes.

RULING OF THE EUROPEAN COURT OF JUSTICE IN THE CASE REGARDING THE ROUNDING OF AMOUNTS FOR THE PAYMENT OF THE VAT

The European Court of Justice (hereinafter, the “ECJ”) in the case C-484/06 Fiscale eenheid Koninklijke Ahold NV v Staatssecretaris van Financiën examined the issue of rounding of amounts for the payment of the VAT. The ECJ ruled that the Sixth Directive of the Council 77/388/EEC contained no provisions establishing special rules for the rounding of VAT amounts, therefore the EU member states, taking into account the requirements of the general principles of the VAT system, especially the principles of fiscal neutrality and proportionality, must themselves provide for the method for the rounding of the VAT amount in their national law. In accordance with the principle of fiscal neutrality, the VAT amount paid into the budget by the person subject to taxation must correspond exactly to the VAT amount indicated on the VAT invoice and paid by the final user to the person subject to taxation.

The Law on Tax Administration of the Republic of Lithuania provides that in Lithuania, while rounding VAT amounts in LTL to an integer, the arithmetic rounding method is employed, i.e. every monetary obligation is rounded according to the following principle: 49 and fewer cents are rounded down by reducing (ignoring), while 50 and more cents – by rounding up to 1 Litas.

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